OPEN MEETING ITEM

COMMISSIONERS

BOB STUMP - Chairman

GARY PIERCO

BRENDA BURNS

BOB BURNS





# ARIZONA CORPORATION COMMISSION RECEIVED

2013 AUG 27 P 3 02

DATE:

AUGUST 27, 2013

AZ CORP COMMISSION Corporation Commission DOCKET CONTROL DOCKETED

**DOCKET NO.:** 

W-01445A-12-0348

AUG 27 2013

**DOCKETED BY** 

TO ALL PARTIES:

SUSAN BITTER SMITH

Enclosed please find the recommendation of Administrative Law Judge Sarah N. Harpring. The recommendation has been filed in the form of an Opinion and Order on:

# ARIZONA WATER COMPANY (RATES)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

## SEPTEMBER 5, 2013

The enclosed is <u>NOT</u> an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has <u>tentatively</u> been scheduled for the Commission's Open Meeting to be held on:

# SEPTEMBER 10, 2013 AND SEPTEMBER 11, 2013

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

JODI JERICH ) EXECUTIVE DIRECTOR

1200 WEST WASHINGTON STREET; PHOENIX, ARIZONA 85007-2927 / 400 WEST CONGRESS STREET; TUCSON, ARIZONA 85701-1347 WWW.AZCC.GOV

This document is available in alternative formats by contacting Shaylin Bernal, ADA Coordinator, voice phone number 602-542-3931, E-mail <u>SABernal@azcc.gov</u>.

#### 1 BEFORE THE ARIZONA CORPORATION COMMISSION **COMMISSIONERS** 3 **BOB STUMP - Chairman GARY PIERCE** 4 **BRENDA BURNS BOB BURNS** 5 SUSAN BITTER SMITH 6 IN THE MATTER OF THE APPLICATION OF DOCKET NO. W01445A-12-0348 7 ARIZONA WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANT AND DECISION NO. PROPERTY AND FOR ADJUSTMENTS TO ITS RATES AND CHARGES FOR UTILITY SERVICE FURNISHED BY ITS NORTHERN GROUP AND 10 FOR CERTAIN RELATED APPROVALS. **OPINION AND ORDER** 11 DATE OF HEARING: September 18, 2012 (Procedural Conference); May 8, 2013 (Prehearing Conference): May 13 and 14, 2013 12 PLACE OF HEARING: Phoenix, Arizona 13 ADMINISTRATIVE LAW JUDGE: Sarah N. Harpring 14 APPEARANCES: Mr. Steven A. Hirsch, Bryan Cave, LLP, and Mr. Robert 15 W. Geake, Vice President and General Counsel, Arizona Water Company, on behalf of Arizona Water Company; 16 Mr. Daniel W. Pozefsky, Chief Counsel, on behalf of 17 the Residential Utility Consumer Office; and 18 Mr. Wesley C. Van Cleve, Mr. Charles O. Hains, Mr. Matthew Laudone, and Mr. Scott M. Hesla, Staff 19 Attorneys, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission. 20 21 22 23 24 25 26

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#### BY THE COMMISSION:

This case involves an Application for a permanent rate increase, filed with the Arizona Corporation Commission ("Commission") by Arizona Water Company ("AWC"), in which AWC requested adjustments to the rates and charges for utility service provided by AWC's Northern Group, comprised of two water system divisions known as Navajo (Lakeside and Overgaard) and Verde Valley (Sedona, Pinewood, and Rimrock). AWC and the Commission's Utilities Division ("Staff") have entered into a Settlement Agreement resolving their disputed issues in this matter. The Residential Utility Consumer Office ("RUCO"), the sole intervenor in this matter, is not a signatory to the Settlement Agreement.

#### **DISCUSSION**

## I. Procedural History

#### A. This Docket

On August 1, 2012, AWC filed with the Commission a permanent rate application using the 2011 calendar year as a test year ("TY") and requesting an increase in rates to generate an increase in combined annual revenue for the Northern Group of approximately \$2,829,974 or 27.95 percent over TY results. (Ex. A-7 at Sched. A-1.) In its application, AWC also requested authority to extend its existing Arsenic Cost Recovery Mechanism ("ACRM") beyond the Verde Valley systems to the rest of the Northern Group; to complete consolidation of the Sedona system's rates with those of the other Verde Valley systems; to implement a Distribution System Improvement Charge<sup>3</sup> ("DSIC"); to implement an Off-Site Facilities Fee for the Sedona system; and to continue AWC's ADEQ Monitoring Assistance Program ("MAP") surcharge. (App. at 5-6.) AWC also proposed TY adjustments and a rate design intended to offset decreasing residential per-customer usage that AWC attributed to conservation. (See Ex. A-7 at 31-36.) With its application, AWC included the direct

At the time AWC filed its rate application in this docket, the rate case for its Eastern Group systems was pending in Docket No. W-01445A-11-0310 ("Eastern Group Docket"). As a result, under Arizona Administrative Code ("A.A.C.") R14-2-103(B)(11)(g), the Commission's usual time clock rule does not apply to this rate case.

The only Northern Group system currently approved to have an ACRM is the Sedona system. (See Decision No. 72375 (May 27, 2011); Decision No. 73662 (February 6, 2013).) Official notice is taken of Decision No. 72375 and Decision No. 73662.

AWC's request ultimately evolved into a request for approval of a System Improvement Benefits mechanism.

Official notice is taken of AWC's application filed in this case on August 1, 2012. The first portion of the application (as opposed to the schedules and testimony included with the application) was not offered as an Exhibit.

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testimony of William M. Garfield, AWC President and Chief Operating Officer; Joseph D. Harris, AWC Vice President and Treasurer; Fredrick K. Schneider, AWC Vice President of Engineering; Joel M. Reiker, AWC Vice President of Rates and Revenues; and Pauline M. Ahern, Principal of AUS Consultants.

On August 30, 2012, Staff issued a Sufficiency Letter stating that AWC's rate application had met the sufficiency requirements of A.A.C. R14-2-103 and that AWC had been classified as a Class A utility.

On September 11, 2012, a Procedural Order was issued scheduling a procedural conference for September 18, 2012.

On September 12, 2012, RUCO filed an Application to Intervene.

On September 18, 2012, a procedural conference was held as scheduled, with AWC, Staff, and RUCO appearing through counsel. During the procedural conference, RUCO was granted intervention without objection, and the scheduling for this matter was determined.

On September 19, 2012, a Procedural Order was issued scheduling the hearing in this matter to commence on May 13, 2013, and establishing other procedural requirements and dates.

On November 30, 2012, AWC filed a Certificate of Notice showing that the prescribed public notice of AWC's application and the hearing in this matter had been mailed to AWC's customers as a billing insert beginning with the October 12, 2012, billing cycle and ending on November 13, 2012. The Certificate of Notice further showed that the prescribed public notice had been published in the *Arizona Daily Sun*, the *Verde Independent*, the *White Mountain Independent*, and the *Sedona Red Rock News* on October 12, 14, 16, and 17, 2012, respectively.<sup>5</sup>

On February 13, 2013, additional hearing dates were scheduled by Procedural Order due to a change in the Commission's Open Meeting schedule.

On February 21, 2013, Staff filed an unopposed Request for Modification to the Procedural Schedule, requesting a one-week extension of the deadline for Staff and RUCO to file direct testimony on revenue requirements and cost of capital and a one-week extension of the deadline for AWC to file rebuttal testimony.

<sup>&</sup>lt;sup>5</sup> Official notice is taken of this Certificate of Notice, which was not admitted as an Exhibit in this matter.

On February 22, 2013, a Procedural Order was issued granting Staff's Request.

On February 28, 2013, Staff filed the direct testimony of Jeffrey Michlik, Public Utilities Analyst V; Katrin Stukov, Utilities Engineer; and John Cassidy, Public Utilities Analyst.

On March 1, 2013, RUCO filed the direct testimony of William Rigsby, RUCO Chief of Accounting and Rates, and Jorn Keller, Public Utilities Analyst V.

On March 5, 2013, RUCO filed the direct testimony on rate design of Robert Mease, RUCO Associate Chief of Accounting and Rates, and Staff filed Mr. Michlik's direct testimony on cost of service and rate design.

On March 13, 2013, Staff filed Notice of Settlement Discussions, stating that the parties might enter into settlement discussions on or after March 19, 2013.

On March 19, 2013, AWC, Staff, and RUCO met and engaged in settlement discussions.

On April 4, 2013, AWC filed the Parties' Request for Modification of Procedural Schedule, stating that certain of the parties had reached a conceptual settlement but needed additional time to complete and file a settlement agreement. AWC requested that the deadline to file a settlement agreement be extended by one week, that the deadline for testimony supporting or opposing the settlement agreement also be extended by one week, that a date for responsive testimony be set, and that the existing dates for rebuttal testimony and surrebuttal testimony be suspended.

On April 8, 2013, a Procedural Order was issued revising the procedural schedule for this matter consistent with the Parties' Request.

On April 12, 2013, AWC filed Notice of Status of Settlement Agreement, stating that the agreement had not yet been executed in final form and that another update would be filed on April 15, 2013, if the agreement would not be filed that day.

On April 15, 2013, Staff filed a Settlement Agreement executed by Staff and AWC, but not RUCO. The Settlement Agreement relied upon the outcome of the second phase of the Eastern Group Docket for resolution of the DSIC-type mechanism issue, for which AWC and Staff had entered a settlement agreement establishing a System Improvement Benefits ("SIB") mechanism in the Eastern Group Docket, as discussed further below.

On April 15, 2013, RUCO filed a Motion to Extend Filing Dates, requesting that the filing

dates for testimony supporting or opposing the Settlement Agreement and for responsive testimony each be extended by one week.

On April 17, 2013, AWC and Staff filed responses to the RUCO Motion, with AWC opposing an extension longer than one business day and requesting that the pre-hearing conference be set for an earlier date, and Staff taking no position on an extension and not objecting to an earlier pre-hearing conference date.

On April 18, 2013, a Procedural Order was issued extending the filing dates for testimony concerning the Settlement Agreement, requiring that responsive testimony be filed by the parties, and moving the pre-hearing conference to May 8, 2013.

On April 26, 2013, the parties filed initial testimony concerning the Settlement Agreement, with Staff filing testimony from Steven M. Olea, Utilities Division Director; RUCO filing testimony from Mr. Rigsby; and AWC filing testimony from Mr. Reiker.

On May 3, 2013, the parties filed responsive testimony concerning the Settlement Agreement, with Staff filing testimony from Mr. Olea; RUCO filing testimony from Mr. Rigsby; and AWC filing testimony from Mr. Reiker and Ms. Ahern.

On May 6, 2013, RUCO filed a Motion to Incorporate the Record and a Notice of Errata, requesting that the "record of the recent hearings" in the Eastern Group Docket be incorporated into the record in this matter. RUCO asserted that incorporation of the record would be preferable to judicial notice, although judicial notice would be acceptable provided that the record of the Eastern Group Docket could be cited. RUCO asserted that AWC and Staff agreed with RUCO's Motion.

On May 8, 2013, the pre-hearing conference in this matter was held, with AWC, RUCO, and Staff appearing through counsel. RUCO's Motion was discussed, and it was determined that the entire Phase 2 record from the Eastern Group Docket, and that portion of the Phase 1 record pertaining to AWC's requested DSIC, would be incorporated into the record for this matter. Additionally, the order of witnesses was discussed, and the parties were apprised of several issues to address at hearing. Also, Staff and AWC filed a Joint Notice of Filing of Table I, and the parties filed testimony summaries and an Agreed Disputed Issues Matrix.

On May 13 and 14, 2013, the evidentiary hearing in this matter was held before a duly

authorized Administrative Law Judge of the Commission at the Commission's offices in Phoenix, 2 3 4 5

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Arizona. At the hearing, AWC, RUCO, and Staff appeared through counsel and provided testimony and exhibits. AWC provided the testimony of Mr. Reiker and Ms. Ahern, RUCO provided the testimony of Mr. Rigsby, and Staff provided the testimony of Mr. Olea. No members of the public attended to provide public comment. At the conclusion of the hearing, RUCO was directed to file a late-filed exhibit providing language that counsel for RUCO had stated might resolve its legal concerns with the SIB mechanism, <sup>6</sup> and the parties were directed to file briefs by June 18, 2013.

On May 23, 2013, RUCO filed its late-filed exhibit regarding language that might resolve RUCO's legal issues with the SIB mechanism, stating the following:

> RUCO has been unable to put a format together which it would feel comfortable with. That is not to say it could not be done - just that RUCO has not been able to do it yet. The SIB is only one of RUCO's objections to the settlement, but if there is language and a method that can resolve the legal issue[,] and there are adequate financial benefits to the ratepayer to offset the obvious benefits to the shareholder[,] RUCO would consider withdrawing its objection to the SIB.<sup>7</sup>

On June 18, 2013, the parties filed their briefs.<sup>8</sup>

#### B. The Eastern Group Docket

On February 20, 2013, in the Eastern Group Docket, the Commission issued Decision No. 73736 ("Phase 1 Decision"), establishing new permanent rates for AWC's Eastern Group systems.<sup>9</sup> Although AWC's request for a DSIC was denied in the Phase 1 Decision, the Decision expressed support for DSIC-type mechanisms and left the Eastern Group Docket open for a second round of proceedings ("Phase 2") to allow the parties an opportunity to enter into discussions regarding AWC's DSIC proposal and other DSIC-like proposals, to allow for additional intervention, and to allow for the possibility that a settlement or compromise might be reached. (Decision No. 73736 at 104, 110-11.) Inter alia, the Phase 1 Decision directed Staff to provide an update on the progress of negotiations at the April 2013 Open Meeting and directed the Hearing Division to hold a procedural

<sup>26</sup> See Tr. at 402-07, 417-20.

RUCO Late Filed Exhibit at 2.

Staff filed corrections to its brief on June 19, 2013.

Official notice is taken of Decision No. 73736 (February 20, 2013). At its Staff Meeting on August 15, 2013, the Commission approved the reopening of Decision No. 73736, pursuant to A.R.S. § 40-252, as to return on equity.

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A Notice of Errata was issued on May 30, 2013, to correct typographical errors. Official notice is taken of Decision No. 73938 (June 27, 2013).

conference. 10 establish the process for the Phase 2 proceedings, and issue a proposed Order for consideration by the Commission no later than its June 2013 Open Meeting. (*Id.* at 113-14.)

Intervention in Phase 2 was granted to the Global Utilities ("Global"); 11 EPCOR Water Arizona Inc. ("EPCOR"); Rio Rico Utilities, Inc. dba Liberty Utilities ("Liberty"); the Water Utility Association of Arizona ("WUAA"); the Arizona Investment Council ("AIC"); and the City of Globe ("Globe"). (Ex. A-1 at 4, § 6.0, ex. 1.)

On April 1, 2013, Staff filed a "Settlement Agreement Regarding Distribution System Improvement Charge ('DSIC') and Other DSIC-Like Proposals" ("SIB Agreement"), entered into by all of the parties to Phase 2 other than RUCO and Globe, in which a SIB mechanism was created in lieu of AWC's previously requested DSIC.

The evidentiary hearing for Phase 2 was held on April 8 and 11, 2013, with AWC, RUCO, Liberty, Global, EPCOR, AIC, WUAA, Globe, and Staff appearing through counsel. After the hearing, AWC filed revised SIB schedules, consistent with its testimony, and most of the parties filed briefs.

A Recommended Opinion and Order ("ROO"), recommending adoption of the SIB Agreement with modifications and reduction of the Eastern Group's cost of equity by 55 basis points, was issued on May 28, 2013.<sup>12</sup> The ROO was discussed by the Commission at its Open Meeting on June 12, 2013; was amended by the Commission to include a 10.0 percent cost of equity; and was approved as amended.

On June 27, 2013, the Commission issued Decision No. 73938 ("Phase 2 Decision"), which approved the SIB Agreement with modifications set forth in the Decision. 13 The SIB Agreement, and the modifications made thereto in the Phase 2 Decision, are described more fully below.

A Phase 2 procedural conference was held on March 4, 2013, and a procedural schedule was established; the schedule was later revised by Procedural Order.

The Global Utilities are Global Water - Palo Verde Utilities Company, Global Water - Santa Cruz Water Company, Valencia Water Company - Town Division, Valencia Water Company - Greater Buckeye Division, Water Utility of Greater Tonopah, Willow Valley Water Co., and Water Utility of Northern Scottsdale.

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Decision No. 73938.<sup>14</sup> On August 5, 2013, at its Staff Meeting, the Commission voted to grant

On July 17, 2013, RUCO filed, pursuant to A.R.S. § 40-253, an Application for Rehearing of

RUCO's Application for the limited purpose of allowing the Commission additional time to consider

RUCO's Application. At its Staff Meeting of August 15, 2013, the Commission granted RUCO's

rehearing request for the Phase 2 Decision; reopened the Phase 1 Decision pursuant to A.R.S. § 40-

252, as to return on equity; and consolidated the proceedings.

#### II. AWC and its Northern Group

AWC is an Arizona C corporation and Class A water utility providing service, pursuant to Certificates of Convenience and Necessity granted by the Commission, to approximately 84,800 customers through water systems located in Cochise, Coconino, Gila, Maricopa, Navajo, Pima, Pinal, and Yavapai Counties. (App. at 1.) AWC's water systems are organized into three groups: the Northern Group, the Eastern Group, and the Western Group. (Id.) This case concerns AWC's Northern Group, for which the current rates were set in a company-wide rate case resulting in Decision No. 71845 (August 25, 2010). 15

AWC's Northern Group provides water to approximately 19,700 connections in Yavapai, Coconino, and Navajo counties. (Ex. S-4 at ex. KS at 1.) The Northern Group includes the Navajo and Verde Valley divisions, each of which was formed through consolidation in Decision No. 71845. (Ex. A-7 at 5.) The Navajo division consists of the fully consolidated Lakeside and Overgaard systems, and the Verde Valley division consists of the fully consolidated Pinewood and Rimrock systems and the partially consolidated Sedona system. (Id. at 5-6.) The Sedona system currently has the same monthly minimum charge as the rest of the Verde Valley division, but different commodity rates. (Id.) AWC proposes to complete the consolidation of the Verde Valley division in this case. (Id. at 6.) Ultimately, AWC intends to consolidate the entire Northern Group. (Tr. at 203.)

From an engineering perspective, the Northern Group consists of eight independent Public Water Systems ("PWSs"), each with its own water production, storage, and distribution facilities, with the following numbers of connections: Lakeside (4,012), Pinetop Lakes (1,001), Overgaard

Official notice is taken of this filing made in Docket No. W-01445A-11-0310.

Official notice is taken of Decision No. 71845 (August 25, 2010). The accounting records for Pinewood, Rimrock, and Sedona have been fully consolidated. (Ex. A-7 at 5-6.)

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(4,153), Forest Towne (5), Sedona (5,728), Valley Vista (766), Pinewood (2,856), and Rimrock (1,217). (Ex. S-4 at ex. KS at 1, 5.) Geographically, the Northern Group PWSs are spread throughout the following counties: Navajo County (Lakeside, Pinetop Lakes, Overgaard, and Forest Towne PWSs); Coconino County (Pinewood PWS); Yavapai County (Valley Vista and Rimrock PWSs); and Yavapai and Coconino Counties (Sedona PWS). (Id. at 6-17, 19, 24, 28, 31.)

All of the PWSs within the Northern Group are in full compliance with the requirements of the Arizona Department of Environmental Quality ("ADEQ") and delivering water that meets the water quality standards required by A.A.C. Title 18, Chapter 4.<sup>17</sup> (Ex. S-4 at ex. KS at 35.) The Sedona, Valley Vista, and Rimrock PWSs have arsenic treatment facilities, (id. at 5), and the Sedona system is currently assessing an Arsenic Cost Recovery Mechanism ("ACRM") surcharge, (Ex. A-7 According to Mr. Schneider, three additional arsenic treatment facilities need to be constructed in the Northern Group, specifically in the Sedona system (for one well) and the Overgaard system (for two wells). (Ex. A-11 at 36-39.)

None of the PWSs in the Northern Group is located within any Arizona Department of Water Resources ("ADWR") Active Management Area ("AMA"). (Ex. S-4 at ex. KS at 35.) ADWR has determined that all of the Northern Group PWSs are in compliance with ADWR requirements for community water systems. 18 (Id.)

Staff's engineer reported that all of the Northern Group PWSs have adequate production and storage capacity to serve their present customers and reasonable growth. (Ex. S-4 at ex. KS at 5.)

Five of the eight Northern Group PWSs have water loss exceeding the Commission's general 10-percent standard, as follows: Pinetop Lakes (17.5 percent), Overgaard (13.4 percent), Sedona (10.2 percent<sup>19</sup>), Pinewood (26 percent), and Rimrock (19.5 percent). (Ex. S-4 at ex. KS at 5, 33.) As required by the Commission, AWC has done extensive analysis of its systems relating to water loss causes and solutions. (See Ex. A-11 at 9-10, ex. FKS-19, ex. FKS-20.) According to Mr.

Due to its size, Forest Towne is not a community water system subject to ADEQ compliance monitoring. (Ex. S-4 at ex. KS at 35.)

During the test year, Sedona had water loss of 9.1 percent, but its water loss increased to 10.2 percent in 2012. (Ex. S-4 at ex. KS at 22.)

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27 28 Schneider, AWC has a water loss reduction program that includes monthly water loss tracking and analysis using leak detection equipment; locating and repairing leaks and breaks; and replacing water mains, service lines, and other facilities as necessary. (See, e.g., Ex. A-11 at 45-47, 52, ex. FKS-19.) From January 2008 through December 2011, AWC found and repaired 1,159 leaks in the five Northern Group PWSs with excessive water loss. (Ex. A-11 at 89.)

Mr. Schneider's testimony included AWC's Water Loss Reduction Program for Water Systems in the Northern Group, dated July 27, 2012, in which Mr. Schneider described in great detail, for the five Northern Group PWSs with excessive water loss, AWC's efforts to detect and reduce water loss: the various PWSs' infrastructure types and conditions; the various PWSs' specific histories of leaks and breakage; the specific areas most in need of infrastructure replacement to curb water loss; any other recommendations to improve water loss for the PWSs; and specific projects proposed to be completed within a three-year period, with cost estimates ("three-year plan"). (Ex. A-11 at ex. FKS-19.) The following projects, estimated to have a total cost of more than \$4.8 million, were included in the three-year plan:<sup>20</sup>

- In Verde Valley's Rimrock system, installation of 7,450 linear feet ("LF") of 6-inch main.<sup>21</sup> 180 service connections, and 180 meters, at an estimated aggregate cost of \$1,267,536;
- In Verde Valley's Sedona system, installation of 550 LF of 6-inch main, 115 service connections, and 115 meters, at an estimated aggregate cost of \$730,932;
- In Verde Valley's Pinewood system, installation of 1,850 LF of 6-inch main, 177 service connections, 177 meters, and 1 fire hydrant, at an estimated aggregate cost of \$1,107,568;
- In Navajo's Overgaard system, installation of 2,200 LF of 6-inch main, 343 service connections, 343 meters, and 2 fire hydrants, at an estimated aggregate cost of \$1,091,458; and
- In Navajo's Pinetop Lakes system, installation of 193 service connections and 193 meters, at an estimated aggregate cost of \$620,993.

The main is six-inch ductile iron pipe with plastic wrap. (Tr. at 206.)

See Ex. A-11 at 53, 68, 85, 100, 115. The identified plant dates from 1949 to 1975, with much of the plant having been installed in the 1960s and 1970s. (See Ex. A-2; Ex. A-11 at ex. FKS-19 at 44, 61, 77, 93, 108.)

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Regarding the need for plant improvements to curb water loss, Staff's engineering witness recommended that AWC continue to record and monitor monthly water losses, repair any leak as soon as it is discovered, and implement an aging infrastructure replacement plan consistent with the three-year plan. (Ex. S-4 at ex. KS at ii, 38.) Ms. Stukov further stated that Staff had reviewed the three-year plan and its estimated costs and found the proposal to be reasonable and appropriate. (Ex. S-4 at ex. KS at 39.)

AWC asserts that the total estimated cost to replace all of the aging infrastructure in the Northern Group is approximately \$84,210,409, when considering water mains and service lines that will need to be replaced between 2012 and 2021. (Ex. A-11 at 82.) Between September 20, 2011, and May 31, 2012, AWC completed several plant replacement projects to reduce water loss in the Pinewood and Rimrock systems, at a total cost of approximately \$405,000. (Id. at 82-83.)

The vast majority of Northern Group customers are served by 5/8" x 3/4" meters, with those customers representing the following percentage of customers for each system in 2011: Lakeside (97.25 percent), Pinetop Lakes (96.60 percent), Overgaard (99.20 percent), Forest Towne (100 percent), Sedona (86.42 percent), Valley Vista (79.32 percent), Pinewood (99.50 percent), and Rimrock (99.01 percent). (See Ex. S-4 at ex. KS at 7, 10, 14, 17, 21, 25, 28, and 32.) The monthly average and median water usage of residential 5/8" x 3/4" meter customers differs by division/system, as follows:<sup>22</sup>

	Navajo	Verde Valley	Verde Valley
	(Lakeside & Övergaard)	(Sedona)	(Pinewood & Rimrock)
Average:	3,150 gallons	8,751 gallons	3,036 gallons
Median:	1,190 gallons	5,230 gallons	1,215 gallons

AWC has an approved curtailment plan tariff, an approved backflow prevention tariff, and approved Best Management Practices ("BMP") tariffs on file for its Northern Group. (Ex. S-4 at ex. KS at 37-38.)

According to Staff's Consumer Services database, for the period from January 1, 2010, through January 14, 2013, AWC's Northern Group was the subject of a total of 56 complaints, each of which concerned billing, an aspect of service, deposits, disconnection, construction, or rates and

These figures are taken from Ex. A-7 at Sched. H-5.

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tariffs. (Ex. S-1 at 3-4.) As of the hearing in this matter, all of the complaints had been resolved and closed. (Tr. at 233-34, 252.)

Between October 23, 2012, and July 17, 2013, 14 comments were filed opposing AWC's application, one comment was filed providing rate design suggestions, and one comment<sup>23</sup> was filed supporting the Commission's recent decision to approve a SIB mechanism in the Eastern Group Docket.

#### III. **Pre-Settlement**

In its Application, AWC asserted that the revenues from its utility operations are presently inadequate to allow it to recover its operating costs and to provide a just and reasonable rate of return on the fair value of its utility plant and property used to provide service to its Northern Group customers. (App. at 2.) AWC also asserted that its rate base has increased substantially since the 2007 test year used in its last company-wide rate case due to significant plant additions made in order to assure safe and reliable service to its customers, to comply with the current arsenic standard, and to comply with the Commission's directive for AWC to reduce its water losses by July 1, 2011. (Id.) The TY figures proposed by AWC in its application reflected downward adjustments in TY revenues and expenses to reflect what AWC called "normalize[d] revenues [and] expenses to reflect typical weather and usage."<sup>24</sup> AWC stipulated in the Application that its original cost rate base ("OCRB") could be used as its fair value rate base ("FVRB") for the limited purpose of setting rates in this matter. (Id. at 3.) In addition to requesting an increase in rates and revenues, AWC requested the following:

- Full rate consolidation of the Sedona system with the rest of the Verde Valley systems;
- Authorization to extend its ACRM, previously authorized for Verde Valley, 25 to the rest of the Northern Group;

This comment letter was filed by Arizonans for Responsible Water Policy ("ARWP"), an organization that includes AWC, Global Water, EPCOR Water USA, and Liberty Utilities Arizona.

AWC showed that a portion of AWC's proposed downward adjustments to TY operating revenues and expenses (\$68,751 in revenues and \$15,249 in expenses for Navajo and \$63,203 in revenues and \$30,566 in expenses for Verde Valley) were being made to normalize residential revenues and expenses to reflect typical weather and decreasing residential usage. (Ex. A-7 at Sched. C-2 app. at 10-11.)

The only Northern Group system currently approved to have an ACRM is the Sedona system. (See Decision No. 72375 (May 27, 2011); Decision No. 73662 (February 6, 2013).)

- Authorization to implement a DSIC for the Northern Group systems, to allow AWC to recover the fixed costs (depreciation and rate of return) of non-revenue producing distribution system improvement projects completed between rate cases;
- Authorization to implement an Off-Site Facilities Fee ("OSFF") for all new service connections in Verde Valley's Sedona system, with the OSFF starting at \$1,100 for a 5/8" x 3/4" meter service connection and increasing for larger meter sizes;
- Continuation of AWC's MAP surcharge for the Northern Group; and
- Authorization of such other and further relief as may be appropriate to ensure that AWC
  has an opportunity to earn a just and reasonable return on the fair value of its utility plant
  and property and as may otherwise be required under Arizona law.<sup>26</sup>

#### A. Undisputed Issues

In its direct testimony, Staff recommended that AWC be authorized to complete consolidation of the rates of the Sedona system with the rates for the other Verde Valley division systems, that AWC be authorized to extend its previously approved ACRM to other Northern Group systems using the same ACRM surcharge approval process previously established, and that AWC be authorized to implement an OSFF using the tariff language provided in Staff's Engineering Report. (Ex. S-1 at 5, 30-32; see Ex. S-4 at ex. KS at ii, 39, att. A.) Staff further recommended that AWC be required to submit to the Commission's Docket Control each January, beginning on January 31, 2014, and continuing until the OSFF Tariff is no longer in effect, an annual OSFF status report for the prior calendar year containing a list of all customers that have paid the OSFF, the amount of each OSFF payment, the amount expended from the OSFF account, the amount of interest earned on the OSFF account, and a list of the facilities (identified by ADEQ PWS location) installed with the OSFF account funds during the calendar year. (Ex. S-4 at ex. KS at ii.) Staff's recommendations are expressly included within the recommended OSFF Tariff. (See Ex. S-4 at ex. KS at att. A at 4.)

In its direct testimony, RUCO also recommended approval of AWC's request to complete the consolidation of the Sedona system's rates with the rates for the rest of the Verde Valley division. (Ex. R-10 at 2-3.) RUCO also recommended approval of AWC's request to continue its ACRM to

<sup>&</sup>lt;sup>26</sup> App. at 4-6.

include all of the Verde Valley systems and to establish an ACRM for the Navajo division. (Ex. R-7 at 3, 16-17.) RUCO took no position on AWC's OSFF request, but reiterated its assertion, made in other cases, that delaying recognition of contributions in aid of construction ("CIAC") as a deduction to rate base is not in the best interest of ratepayers. (Ex. R-7 at 3, 17.)

## B. <u>Disputed Issues</u>

#### 1. TY Results and Revenue Requirement

The parties adopted the following litigation positions regarding the TY operations and revenue requirements for the two divisions in the Northern Group:<sup>27</sup>

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Na)	vajo Division 👢		
	AWC	RUCO	Staff
TY Adjusted Operating Revenues:	\$3,595,080	\$3,663,832	\$3,663,830
TY Adjusted Operating Expenses:	\$3,164,804	\$3,163,004	\$3,192,492
TY Adjusted Operating Income:	\$430,276	\$500,828	\$471,338
Adjusted OCRB:	\$9,911,050	\$9,227,096	\$10,065,911
TY Rate of Return:	4.34%	5.43%	4.68%
Required Operating Income:	\$902,842	\$720,424	\$795,207
Operating Income Deficiency:	\$472,566	\$219,596	\$323,869
Gross Revenue Conversion Factor	1.6469	1.6469	1.6510
Required Revenue Increase:	\$778,281	\$361,659	\$534,713
Required Revenue Increase %:	21.65%	9.87%	14.59%
Required Rate of Return:	9.11%	7.81%	7.9%
Proposed Revenue Increase:	\$778,281	\$361,659	\$534,713
Proposed Revenue Requirement:	\$4,373,361	\$4,025,491	\$4,198,543
Verde	Valley Division		
	AWC	RUCO	Staff
TY Adjusted Operating Revenues:	\$6,529,576	\$6,592,779	\$6,592,779
TY Adjusted Operating Expenses:	\$5,394,801	\$5,407,458	\$5,383,130
TY Adjusted Operating Income:	\$1,134,775	\$1,185,321	\$1,209,649
Adjusted OCRB:	\$26,134,793	\$25,528,437	\$25,991,704
TY Rate of Return:	4.34%	4.64%	4.65%
Required Operating Income:	\$2,380,736	\$1,993,184	\$2,053,345
Operating Income Deficiency:	\$1,245,961	\$807,863	\$843,695
Gross Revenue Conversion Factor	1.6465	1.6465	1.6465
Required Revenue Increase:	\$2,051,496	\$1,330,169	\$1,389,159

See Ex. A-7 at Sched. A-1, Sched. C-1; Ex. S-1 at Sched. JMM-1, JMM-8; Ex. R-9 at Sched. JLK-1, JLK-7.

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Required Revenue Increase %:	31.42%	20.18%	21.07%
Required Rate of Return:	9.11%	8.75%	7.9%
Proposed Revenue Increase:	\$2,051,496	\$1,330,169	\$1,389,159
Proposed Revenue Requirement:	\$8,581,072	\$7,922,948	\$7,981,938

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The differences in TY revenue figures set forth above are attributable to RUCO and Staff's rejection of AWC's adjustments to "normalize revenues and expenses to reflect typical weather and usage" for residential customers. (See Ex. A-7 at 17-19, ex. JMR-1; Ex. R-9 at 8, 19-20; Ex. S-1 at 14-17.) AWC had made downward adjustments to TY revenues and expenses for the Navajo division in the amounts of \$68,751 and \$15,249 and to the Verde Valley division in the amounts of \$63,203 and \$30,566, respectively. (Ex. A-7 at Sched. C-2.) Mr. Reiker testified that the adjustments were made based upon the results of a multiple regression analysis of monthly residential per customer usage and weather conditions for the five years ending December 2011, which showed both that normalized weather conditions resulted in lower usage than seen in the hotter and drier TY and that there was a "statistically significant annual decline in residential usage of 2.03 percent and 2.71 percent in the Navajo and Verde Valley systems." (Ex. A-7 at 17-18; see also id. at 32.) To reflect the decline, AWC made reductions to revenues and made corresponding adjustments to source of supply, pumping, and water treatment expenses. (Id. at 18-19.) RUCO and Staff rejected these adjustments entirely. (Ex. R-9 at 8, 19-20; Ex. S-1 at 14-17.)

RUCO also made downward adjustments in transmission and distribution ("T&D") expense for each division, to reverse AWC's T&D expense normalization adjustment; in rate case expense, to reflect the amount granted for the Northern Group in its last rate case, adjusted for inflation; in fleet fuel expense, based upon an average of the U.S. Energy Information Administration's Short Term Energy Outlook average monthly prices for January 2012 through December 2014; and in miscellaneous expense, to eliminate sponsorships, costs associated with employee events and awards, and half of the costs of certain organizational dues. (Ex. R-9 at 5-7, Scheds. JLK-8, JLK-10 through JLK-13.) RUCO also adjusted depreciation expense, property tax expense, and income tax expense to reflect its own calculations based upon recommended plant in service, a modified Arizona Department of Revenue ("ADOR") formula used by the Commission in prior rate cases, and RUCO's recommended operating income. (Ex. R-9 at 7-9, Scheds. JLK-8, JLK-14 through JLK-17.)

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Staff also made downward adjustments in T&D expenses, to reflect a five-year normalized amount rather than the amount projected using AWC's regression analysis; in administrative and general expenses, to eliminate expenses related to memberships, charitable contributions, sponsorships, employee meals, and gifts and awards; in miscellaneous expenses, to eliminate projected expenses related to the implementation of BMPs; and in rate case expense, based on the amount approved by the Commission in Phase 1 of the Eastern Group Docket. (Ex. S-1 at 8, 17-26, Scheds. JMM-8, JMM-12 through JMM-15.) Staff also adjusted depreciation expense, income tax expense, and property tax expense to reflect Staff's calculations based upon its other recommendations, the applicable income tax rates, and the Commission's usual modified ADOR methodology for calculating property tax expense. (Ex. S-1 at 9, 27-29, Scheds. JMM-8, JMM-16 through JMM-18.)

### 2. Rate Base

In the Application, AWC stated that it adjusted its OCRB to add post-TY "revenue-neutral utility plant additions" for items necessary to serve existing TY customers, along with a half-year of depreciation on these items, and to allocate rate base items for AWC's Phoenix office and meter shop to the Navajo and Verde Valley divisions, consistent with a previously approved three-factor allocation methodology. (Ex. A-7 at 12-13, Sched. B-2, Sched. B-2 app.) As a result, the Navajo division's OCRB was decreased by \$1,749,917, and the Verde Valley division's OCRB was increased by \$506,265. (Ex. A-7 at Sched. B-2.)

RUCO recommended reducing the value of post-TY plant additions to reflect actual costs rather than projections and rejecting post-TY construction projects completed after June 30, 2012, with the cumulative result being downward adjustments of \$463,187 and \$233,057 in the OCRBs of Navajo and Verde Valley, respectively. (Ex. R-9 at 4-5, 10, Scheds. JLK-2, JLK-3.) RUCO also recommended reducing cash working capital for the Navajo division by \$220,768 and for the Verde Valley division by \$373,298, to reflect RUCO's calculation of working capital using AWC's lead/lag study with some adjustments, such as excluding rate case expense and including interest expense. (Ex. R-9 at 4-5, 11-13, Scheds. JLK-2, JLK-3, JLK-5, JLK-6(1).)

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Staff recommended increasing post-TY plant by \$257,446 and accumulated depreciation by \$5,117 for the Navajo division and increasing post-TY plant by \$633 and accumulated depreciation by \$238 for the Verde Valley division to reflect actual rather than estimated post-TY plant costs. (Ex. S-1 at 10, Scheds. JMM-4, JMM-5.) Staff also removed from the Navajo division's OCRB \$29,288 in post-TY costs for land surveying and purchased land related to Well Site No. 5 and a future arsenic treatment plant for Well No. 5, along with \$113 in associated depreciation. (Ex. S-1 at 11, Sched. JMM-6.) Staff also recommended reducing cash working capital for the Navajo division by \$68,292 and for the Verde Valley division by \$143,482, to reflect Staff's recalculation including interest expense as a component of the lead/lag study. (Ex. S-1 at 12-13, Sched. JMM-7.)

### 3. <u>Cost of Capital</u>

The parties took the following positions on the Northern Group's cost of capital, with cost of equity ("COE") as the only area of dispute:<sup>28</sup>

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	Weight	Cost	Weighted Avg. Cost	Weight	Cost	Weighted Avg. Cost	Weight	Cost	Weighted Avg. Cost
Common Equity	51.05%	11.30%	5.77%	51.05%	8.75%	4.47%	51.1%	9.1%	4.6%
Debt	48.95%	6.82%	3.34%	48.95%	6.82%	3.34%	48.9%	6.8%	3.3%
Weighted Avg. Cost of Capital	-		9.11%		-	7.81%	-		7.9%

Ms. Ahern testified that she determined AWC's proposed 11.30 percent COE by performing discounted cash flow model ("DCF"), risk premium model ("RPM"), and capital asset pricing model ("CAPM") analyses using a proxy group of nine publicly traded water companies. (Ex. A-10 at 4, 7-9, ex. PMA-1.) Ms. Ahern averaged the results of the DCF (9.13%), RPM (10.47%), and CAPM (11.01%) to arrive at a common equity cost rate of 10.34 percent, which she stated did not include any adjustments for credit and business risks attributable to AWC. (Ex. A-10 at 10.) Ms. Ahern then applied a 50-basis point upward adjustment for credit risk and a 45-basis point upward adjustment for company-specific unique business risk, resulting in an adjusted COE of 11.29 percent, which she rounded to 11.30 percent. (Ex. A-10 at 10, 53-54, ex. PMA-1.) Ms. Ahern testified that she made the credit risk adjustment based on her opinion that if AWC were rated by Moody's or Standard &

See Ex. A-10 at 7-8, ex. PMA-1; Ex. R-8 at 5-6, Sched. WAR-1; Ex. S-3 at 3, 35, Sched. JAC-1. Staff's use of only a single decimal place is not considered to be an area of dispute.

Poor's, AWC would probably have a bond rating of Baa/BBB, which she stated indicates an inherently greater credit risk relative to the proxy group utilities.<sup>29</sup> (Ex. A-10 at 55-56.) Ms. Ahern quantified the magnitude of the credit risk adjustment using two-thirds of a recent three-month average spread between Moody's A and Baa2 rated public utility bond yields, to arrive at a rounded 50-basis-point upward credit risk adjustment. (*Id.* at 56.) Ms. Ahern testified that a business risk adjustment is also needed based on water utilities' greater business risk as an industry, as compared to other types of utilities, and AWC's even greater and unique business risk due to its segmented and geographically isolated operations, its small size as compared to the proxy group utilities, and the regulatory lag that results from Arizona's use of a historical test year. (Ex. A-10 at 12-24, 56-58, ex. PMA-1.) At hearing, Ms. Ahern testified that her updated estimate as of May 13, 2013, would be 11.35 percent. (Tr. at 160, 183.)

For RUCO, Mr. Rigsby completed a constant-growth DCF analysis using two separate proxy groups—a proxy group of six publicly traded water companies, and a proxy group of nine publicly traded and regulated natural gas local distribution companies ("LDCs").<sup>30</sup> (Ex. R-8 at 8, 19-20.) Mr. Rigsby averaged the results of the DCF analysis for the water utilities proxy group (7.97 percent) with the result of the DCF analysis for the LDC proxy group (8.75 percent) to reach an overall DCF COE estimate of 8.36 percent. (Ex. R-8 at 30, Scheds. WAR-1, WAR-2.) Mr. Rigsby also performed CAPM analyses using the two proxy groups and using two different methods to calculate market risk premium (geometric mean versus arithmetic mean of historical total returns on the Standard & Poor's 500 index from 1926 to 2011 as a proxy for market rate of return). (Ex. R-8 at 35.) The CAPM analyses for the water utilities proxy group resulted in COE estimates of 5.79 percent and 6.90 percent, and the CAPM analyses for the LDC proxy group resulted in COE estimates of 5.64 percent and 6.69 percent.<sup>31</sup> (Ex. R-8 at 37.) Mr. Rigsby selected the highest DCF

At hearing, Mr. Rigsby said, "[r]ight now I will be the first to admit that CAPM is producing low results. . . . that's only because the yields on risk free assets are low right now." (Tr. at 397.)

<sup>25</sup> Ms. Ahern testified that most utilities have an average bond rating of BBB, which is the bottom of investment grade. (Tr. at 174.) She stated that if the rating drops to BB, insurance companies and institutional investors are precluded from investing in them. (Id.)

All of the utilities in RUCO's water utility proxy group were also included in AWC's proxy group. (See Ex. R-8 at 20-21, Ex. A-10 at 30.) RUCO has used the same LDCs in proxy groups in previous rate cases, including in the Eastern Group Docket. (See Ex. R-8 at 23.)

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COE estimate to serve as RUCO's recommended COE of 8.75 percent. (Id.) Mr. Rigsby testified that RUCO's recommended COE of 8.75 percent would provide AWC with a reasonable rate of return on investment, considering low current interest rates, the current state of the economy, the current rates of unemployment in the country and state, and the Federal Reserve's decision to keep interest rates at their current levels into the foreseeable future. (*Id.* at 56.)

Mr. Rigsby testified that Ms. Ahern used the same single stage DCF model that he used and attributed much of the difference in DCF analysis results to timing, as his DCF analyses were performed using data approximately 7 months fresher than that used by Ms. Ahern, and also to the different methods used to produce growth rate estimates. (Ex. R-8 at 60-63.) Mr. Rigsby also testified that Ms. Ahern's CAPM analyses used both the version that he used and another version that has previously been rejected by the Commission and expressed concern that Ms. Ahern's CAPM analyses used only forecasted yields on long-term Treasury instruments for a risk-free rate of return, "totally ignore[d]" the Federal Reserve's plan to keep interest rates at their current low levels through 2014, utilized an "almost Byzantine methodology . . . to arrive at [an] unrealistically high market risk premium," and rejected the use of geometric means to calculate market risk premium. (Ex. R-8 at 60, 65-67.) Mr. Rigsby also testified that AWC needs neither a credit risk adjustment nor a business risk adjustment because AWC has successfully placed bond issuances in the past, and Mr. Rigsby's analyses using the water utilities proxy group shows that investors tolerate the types of risks faced by AWC. (Ex. R-8 at 62, 68.) Mr. Rigsby disagreed with the idea that water utilities currently need higher rates of return to attract investors. (Ex. R-8 at 62.)

To determine Staff's recommended COE, Mr. Cassidy performed two DCF analyses and two CAPM analyses using a sample group of six publicly traded water utilities that receive the majority of their earnings from regulated operations.<sup>32</sup> (Ex. S-3 at 3, 13.) Mr. Cassidy averaged the results of a constant-growth DCF analysis (8.0 percent) and non-constant-growth DCF analysis (9.5 percent) to obtain an overall DCF COE estimate of 8.8 percent. (Ex. S-3 at 14, 24, 26, Sched. JAC-3.) Mr. Cassidy also averaged the results of a historical market risk premium CAPM analysis (6.3 percent)

All of the utilities in Staff's proxy group were also included in AWC's proxy group. (See Ex. S-3 at 13, Ex. A-10 at 30.)

with the results of a current market risk premium CAPM analysis (10.0 percent) to obtain an overall CAPM COE estimate of 8.2 percent. (Ex. S-3 at 29-30, Sched. JAC-3.) Mr. Cassidy then determined Staff's recommended 9.1 percent COE by averaging the overall DCF COE estimate and the overall CAPM COE estimate (resulting in 8.5 percent) and making a 60-basis-point upward adjustment in consideration of the status of the "relatively uncertain" current economy and market. (Ex. S-3 at 33-34, Sched. JAC-3.)

Mr. Cassidy criticized Ms. Ahern's exclusive reliance on analysts' forecasts for earnings per share ("EPS") growth to estimate the dividend growth component in her single-stage constant-growth DCF analysis, stating that analysts' forecasts are known to be overly optimistic and to result in COE inflation and also stating that dividends per share growth is more relevant. (Ex. S-3 at 35-38.) Mr. Cassidy also disagreed with Ms. Ahern's use of a "stale" historical 60-day average stock price, as opposed to a current spot price, to calculate the current dividend yield component of the constant growth DCF analysis. (Ex. S-3 at 38-39.) Mr. Cassidy also disagreed with Ms. Ahern's use, in her CAPM and RPM analyses, of a projected risk-free rate based upon both historical and forecasted estimates, as opposed to Staff's recommended use of a risk-free rate based upon a current measure for the 30-year U.S. Treasury yield at the time of analysis. (Ex. S-3 at 39-41.) Mr. Cassidy performed the same CAPM and RPM analyses as completed by Ms. Ahern, using the then-current 30-year U.S. Treasury yield rather than Ms. Ahern's projected risk-free rate, and obtained an RPM result of 9.63 percent (rather than 10.47 percent) and a CAPM result of 9.73 percent (rather than 11.01 percent), 33 for an unadjusted COE of 9.50 percent (rather than 10.34 percent). (Ex. S-3 at 41-44, ex. JAC-C.) Mr. Cassidy also testified that neither Ms. Ahern's 50-basis-point credit risk adjustment nor her 45basis-point business risk adjustment had merit because bond ratings are not an accurate indicator of equity risk, the Commission has previously ruled that firm size does not warrant recognition of a risk premium, and investors can eliminate firm-specific risk through diversification. (Ex. S-3 at 44-45.)

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<sup>33</sup> Mr. Cassidy did not recalculate Ms. Ahern's DCF analysis.

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#### 4. Rate Design

AWC's current Northern Group rates and charges, the rates and charges proposed by AWC in its Application, and the rates and charges proposed by RUCO and Staff in their original direct testimonies are set forth in Exhibit A, attached hereto and incorporated herein.<sup>34</sup>

AWC's proposed rate design significantly increased monthly minimum charges, which would result in AWC's earning more of its overall revenue through monthly minimum charges, while also increasing the first-tier break over points for commodity rates. (See Ex. A-7 at Sched. H-3.) Mr. Reiker testified that AWC created its proposed rate design after considering gradualism, affordability, conservation, and cost recovery. (Ex. A-7 at 28.) Mr. Reiker testified that the rate design included a lifeline rate for residential customers with minimal usage, to keep water bills affordable for basic needs, while also promoting conservation by incorporating a third-tier commodity rate set higher than (Id. at 28-29.) Mr. Reiker further testified that AWC addressed cost recovery in an environment of declining customer usage with its proposed rate design by adjusting TY sales volumes to reflect declines in per customer residential usage, incorporating the reductions into the billing determinants used to design its proposed rates, and designing a monthly minimum charge consistent with AWC's cost of service study ("COSS") to avoid shifting fixed cost recovery into commodity rates. (Id. at 31, 35.) According to Mr. Reiker, the COSS showed that no less than 51 percent of Northern Group revenues should be recovered through monthly minimum charges, and AWC's proposed rate design was designed accordingly. (Id. at 35-36.) Mr. Reiker further testified that the proposed Northern Group rate design generally incorporated the same principles as the design approved for the Northern Group in the company-wide rate case, although revisions to miscellaneous service charges and service line and meter installation charges were proposed to make those charges consistent with the Commission's recent Western Group decision.<sup>35</sup> (Id. at 37-38.)

RUCO's proposed rate design supports AWC's proposal to complete full consolidation of the Sedona system's rates with the rates for the rest of the Verde Valley division, but does not incorporate AWC's proposed declining usage adjustment. (Ex. R-10 at 3-4.) Mr. Mease stated that

The sources for the data in Exhibit A hereto are Ex. A-7 at Sched. H-3; Ex. R-10 at Sched. RD-1; Ex. S-2 at Sched.

The Western Group's rates were most recently established in Decision No. 73144 (May 1, 2012).

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RUCO does not believe the level of declining usage per customer will continue or that the declining usage results from conservation efforts, instead predicting that usage levels will stabilize over time as the potential for ongoing conservation is mitigated. (*Id.*) Mr. Mease added: "RUCO does not believe it is appropriate to embed in today's rates an adjustment designed to recover forecasted lost revenue based on the 'possibility' that residential usage will decline in the future." (*Id.*) Mr. Mease further testified that RUCO's recommended rate design for Verde Valley was modified from AWC's proposed rate design so as to prevent large subsidization of the Verde Valley system resulting from consolidation of the Sedona system. (*Id.* at 6-7.)

Mr. Michlik testified that Staff's recommended rates were designed to produce revenues to cover the overall cost of providing service, while encouraging efficient use of scarce water resources. (Ex. S-2 at 3.) Staff's recommended rate design also supported AWC's proposal to complete full consolidation of the Sedona system's rates with the rates for the rest of the Verde Valley division, but did not incorporate AWC's proposed declining usage adjustment, which Mr. Michlik stated could not be considered known and measurable. (*Id.* at 2, 4.)

Regarding bill formatting, Mr. Michlik recommended that AWC be required to bill each applicable tariff charge on a separate line, showing the description and the billed amount, rather than showing a "balance forward" and, further, that AWC be required to bill for water consumption in 1,000 gallon increments as opposed to 100 gallon increments. (Ex. S-1 at 4; see Tr. at 202-03.)

Mr. Reiker testified that AWC had been working with Staff's Consumer Services Section for more than a year regarding designing a new bill, because the process required programming of AWC's system and also research regarding items on the existing bill and whether they needed to be retained. (Tr. at 202-03.) At hearing, Mr. Reiker reported that AWC had designed a new bill meeting Mr. Michlik's recommendations, after several different designs, and that the new bill either had already been implemented or would be implemented within weeks. (*Id.*)

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#### 5. **Bill Impacts**

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The rates and charges proposed by AWC in its application and originally proposed by RUCO and Staff on direct would have approximately the following monthly bill impact on an average usage residential customer served by a 5/8" x 3/4" meter in each of the Northern Group divisions/systems:<sup>36</sup>

Division/System	Usage (Gallons)	Current Bill	Proposed Bill	Dollar Change	Percent Change
Navajo	3,200	\$26.50	\$31.83	\$5.33	20.11%
Verde Valley (Pinewood, Rimrock)	3,000	\$33.27	\$33.47	\$0.20	0.60%
Verde Valley (Sedona)	8,800	\$39.57	\$53.93	\$14.36	36.29%

Division/System	Usage	Current	Proposed	Dollar	Percent
	(Gallons)	Bill	Bill	Change	Change
Navajo	3,200	\$26.50	\$28.60	\$2.10	7.92%
Verde Valley (Pinewood, Rimrock)	3,000	\$33.27	\$30.35	(\$2.92)	(8.78%)
Verde Valley (Sedona)	8,800	\$39.57	\$48.90	\$9.33	23.58%

Division/System	Usage	Current	Proposed	Dollar	Percent
	(Gallons)	Bill	Bill	Change	Change
Navajo	3,200	\$26.50	\$28.49	\$1.99	7.51%
Verde Valley (Pinewood, Rimrock)	3,000	\$33.27	\$29.50	(\$3.77)	(11.33%)
Verde Valley (Sedona)	8,800	\$39.57	\$48.93	\$9.36	23.65%

#### 6. **DSIC**

In its application, AWC requested authorization to implement a DSIC for the Northern Group systems, describing it as a "ratemaking tool that allows utilities to recover the fixed costs (depreciation and rate of return) of non-revenue producing distribution system improvement projects completed between rate cases." (App. at 4.) Mr. Harris's testimony provided the details of the proposed DSIC,<sup>37</sup> which was projected to increase an average 5/8" x 3/4" meter residential

This data is taken from Ex. A-7 at Scheds. H-4, H-5; Ex. R-10 at Sched. RD-1; Ex. S-2 at Scheds. JMM-1, JMM-2. AWC used slightly rounded figures for average monthly usage, and those figures are repeated here. The current bill amount for the Sedona system includes the ACRM surcharge applicable during the TY.

The proposed DSIC included the following elements:

<sup>(1)</sup> Plant eligible for recovery limited to non-revenue producing additions in NARUC USOA accounts 343, 344, 345, 346, 347, and 348;

<sup>(2)</sup> DSIC to be filed on annual basis for plant added the prior year;

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(3) Each annual filing to include an update of projects included in first phase of infrastructure replacement, thus allowing Staff to review upcoming projects;

(4) WACC and depreciation rates approved in most recent rate decision used to determine return on investment and associated depreciation expense;

(5) The following supporting data required to be filed with each annual filing:

a. Most recent balance sheet;

- b. Most recent income statements for AWC and each system affected;
- c. Earnings test schedule for each system affected;
- d. Rate review schedule for each system affected, showing impact of requested step increase on balance sheet and income statements;
- e. Revenue requirement schedule showing calculation of requested increase, using rate of return, gross revenue conversion factor, and depreciation rate from most recent rate case and setting forth proposed monthly minimum and volumetric charges for 5/8" x 3/4" meter residential customer;
- f. Schedule showing number of customers by meter size, gallons sold, and the calculation of surcharges, which must be designed to collect costs 50/50 through fixed surcharges and volumetric surcharges, with fixed surcharges scaled by meter size;
- g. Schedule showing rate base from most recent rate case and as of the date for the balance sheet and income statements provided, with adjustments to reflect inclusion of completed and in-service DSIC-eligible facilities;
- h. Construction Work in Progress ledger showing monthly charges related to construction of DSIC-eligible facilities;
- i. Schedule showing calculation of AWC's three-factor allocation methodology; and
- . Schedule providing typical bill analysis for 5/8 x 3/4 customers;
- (6) Staff required to review annual filing and prepare memorandum and recommended order for Commission approval, with Commission approval required before the DSIC surcharge could be implemented;
- (7) DSIC surcharge required to be separate line item on customer bills, and AWC required twice each year to include message on bills explaining DSIC surcharge and AWC's progress with infrastructure replacement;
- (8) DSIC phased in each year and capped at 7.5 percent of annual amount billed to customers under other applicable rates and charges;
- (9) DSIC surcharges reset to zero, and list of completed and in-service DSIC-eligible plant additions reset to none, on effective date of each new general rate case decision, when completed and in-service DSIC-eligible plant included in rate base; and
- (10) No annual DSIC filing to be made for any year in which affected system earns a rate of return exceeding its authorized rate of return. (Ex. A-8 at 16-19.)

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strategy would work in place of the requested DSIC, unless rates were based on a future test year or AWC's rate of return were increased, because the infrastructure replacements will not increase sales, and pursuing annual general rate cases would be neither feasible nor cost-effective. (Id. at 13-14.) Mr. Harris also asserted that because AWC's company-wide need to replace infrastructure (estimated at \$192 million) increases the risk that AWC will not be able to earn a fair rate of return, AWC's rate of return should be increased to improve its ability to attract capital on reasonable terms. (Id. at 15-16.)

Ms. Ahern also testified in support of the DSIC, stating that in the absence of the requested DSIC, AWC's ability to finance and construct necessary infrastructure and to provide safe and reliable water service would be impaired because of the "extraordinary" amount of infrastructure needing to be replaced. (Ex. A-10 at 58, 61.) To support her position that the improvements that would be eligible for the DSIC are not "routine," Ms. Ahern cited AWC's "distressed financial condition," its need to attract capital on reasonable terms, and its need to replace plant to comply with a Commission directive to reduce water loss. (Id. at 61.) Ms. Ahern further testified that DSIC mechanisms have been widely accepted and adopted throughout the country; are considered credit supportive by both Standard & Poor's and Moody's; are a "best regulatory practice" according to the National Association of Regulatory Utility Commissioners ("NARUC"); and benefit customers because more timely infrastructure improvements enhance the reliability and quality of water service, more frequent and smaller rate increases alleviate rate shock through gradualism, and replacement of antiquated infrastructure reduces water loss and results in lower operating costs on a long-term basis. (*Id.* at 58, 61, 67-68.)

In its original direct testimony, Staff did not analyze the DSIC proposed by AWC in this case. (Ex. S-1 at 30.) Rather, Staff recommended that the "Commission adopt, in this case, whatever the outcome is in [the Eastern Group Docket] for its DSIC." (Id.) Mr. Michlik noted the Commission's direction for the Eastern Group Docket's proposed DSIC and other DSIC-type mechanisms to be discussed in Phase 2 of the Eastern Group Docket and deferred to that process and its outcome. (See id.)

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In its original direct testimony, RUCO recommended that the Commission reject the proposed DSIC for four reasons: (1) AWC is seeking to recover, through the DSIC and outside of a rate case, for routine plant improvements that would normally be recovered through a general rate case; (2) the DSIC is one-sided and works only in the interest of shareholders because it allows for cost recovery for new plant but does not consider any operations and maintenance expense savings attributable to the new plant; (3) no federal or state requirement mandates the plant additions for which AWC seeks to recover through the DSIC; and (4) AWC has not established that it will be unable to provide safe and reliable water service or to achieve cost recovery without a DSIC. (Ex. R-7 at 5.) Additionally, RUCO stated that there are "legal concerns" with implementation of a DSIC, which RUCO would address in legal briefs if necessary. (Id.) Mr. Rigsby testified: "RUCO believes that adjustor mechanisms are extraordinary rate recovery devices that are permitted for certain narrow circumstances . . . [but] routine replacement of aging infrastructure . . . does not qualify as an extraordinary circumstance." (Id. at 7-8.) Mr. Rigsby differentiated the DSIC from the ACRM because the proposed DSIC is not "specifically designed to address a one-time event [impacting] dozens of Arizona water companies simultaneously." (Id. at 8.) To support RUCO's position, Mr. Rigsby cited a 1999 National Association of State Utility Consumer Advocates ("NASUCA") resolution opposing the adoption and implementation of DSIC-like mechanisms;<sup>38</sup> a September 2009 survey report by a principal of the National Regulatory Research Institute ("NRRI") concluding that cost trackers, which Mr. Rigsby stated are similar to AWC's proposed DSIC, can result in higher utility costs and undercut the positive effects of regulatory lag, such as motivation for a utility to cut costs; April 2009 testimony before the Pennsylvania House Consumer Affairs Committee provided by Pennsylvania's RUCO counterpart, opposing a DSIC-like mechanism for the natural gas industry as a "one-way street that can only increase rates between rate cases, even if a utility's other costs are going down or its revenues are going up";39 and a May 2012 American Association of Retired Persons ("AARP") report warning that DSIC-like mechanisms can result in increased costs to consumers, disincentives for utilities to control costs, and the shifting of business risks away from

The NASUCA resolution was admitted as Exhibit R-7 att. A. 28

The testimony of the Pennsylvania Consumer Advocate was admitted as Exhibit R-7 att. B.

investors and onto customers. 40 (*Id.* at 9-12.) Mr. Rigsby also cited a prior Commission decision rejecting a similar cost recovery mechanism for a different utility. 41 (*Id.* at 12.) Mr. Rigsby stated that RUCO's problems with the DSIC would be mitigated if an operations and maintenance ("O&M") expense credit, as to every foot of replacement line for which AWC recovers through the DSIC, were applied to customer bills at the same time as the DSIC surcharges went into effect. (*Id.* at 14-15.) Mr. Rigsby also stated that although RUCO had not recommended any adjustment to AWC's proposed increase in O&M expense, RUCO believed that a downward adjustment to O&M expense should be made if the Commission were to approve AWC's proposed DSIC without a corresponding O&M expense credit. (*Id.* at 15.)

#### IV. The Settlement Agreement—AWC and Staff

#### A. <u>Generally</u>

The Settlement Agreement, attached hereto and incorporated herein as Exhibit B,<sup>42</sup> was executed on April 15, 2013, by AWC and Staff ("Signatories"), specifically Mr. Garfield and Mr. Olea. (Ex. A-1 at 7-8.) RUCO did not enter into the Settlement Agreement.

The Settlement Agreement states that the negotiation process was open, transparent, and inclusive of the Signatories and RUCO, with each party having an equal opportunity to participate, and that the Signatories and RUCO, along with their counsel, principal witnesses, and representatives, attended and actively participated in all phases of the settlement discussions. (Ex. A-1 at 2, § 1.7.) The Settlement Agreement states that it is the result of the discussions and the Signatories' and RUCO's good faith efforts to settle all of the issues in this case. (*Id.*)

The stated purpose of the Settlement Agreement is to settle all issues in this case in a manner that will promote the public interest, provide for a prompt resolution of the issues, and allow expeditious implementation of the new rates as ordered by the Commission. (*Id.*, § 1.8.) The Settlement Agreement asserts:

The AARP report was admitted as Exhibit R-7 att. C.

Decision No. 72047 (January 6, 2011).

The Settlement Agreement was admitted herein as Exhibit A-1.

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[T]he terms of this Agreement will serve the public interest by providing a just and reasonable resolution of the issues presented by the Rate Case, establishing just and reasonable rates for AWC's customers, and promoting the health, welfare and safety of AWC's customers. Commission approval of this Agreement will further serve the public interest by allowing the Signatory Parties to avoid the expense and delay associated with continued litigation. The Signatory Parties believe the provisions set forth in this Agreement address the issues raised by RUCO, except as to the negotiated rate of return on common equity . . . as it relates to 1) the impact of the System Improvement Benefits ("SIB") mechanism, and 2) the negotiated rate design's incorporation of a declining usage adjustment.<sup>43</sup>

The Signatories desire for the Commission to find the terms and conditions of the Settlement Agreement to be just and reasonable and in the public interest, along with all other necessary findings; to approve the Settlement Agreement; and to order the Settlement Agreement and the rates contained therein to become effective at the earliest practicable date. (*Id.* at 2, § 1.10.)

The Settlement Agreement includes numerous supporting schedules providing data for the Northern Group and its divisions, with distinctions for the different commodity rate designs within the Verde Valley division. (See id. at Scheds. Settlement ("S.A.") A-1 through H-4.) The supporting schedules detail and support the Signatories' agreements related to revenue requirement, rate base, TY income and expenses, cost of capital, and rate design. (See id.) The Settlement Agreement also includes, as Exhibit 1, the SIB Agreement from Phase 2 of the Eastern Group Docket. (Ex. A-1 at 4, § 6.0, ex. 1.) The SIB Agreement itself includes the following exhibits:

- Exhibit A: Table I, "Information to be included with SIB-Eligible Project Notification," a detailed list by system and NARUC Uniform System of Accounts ("USOA") account number of the replacement plant eligible for SIB treatment, with estimated costs;
- Exhibit B: SIB Schedule B, setting forth the calculations to determine any SIB revenue trueup amount for the prior 12 months and to determine any necessary fixed surcharge or credit;
- Exhibit C: SIB Plant Table II, "Information to be included with SIB-Eligible Completed Project Filings," a detailed list of information, organized by NARUC USOA account number, identifying SIB-eligible plant projects completed and corresponding retirements;

Ex. A-1 at 2, § 1.9.

- Exhibit D: SIB Schedule A, setting forth the calculations to determine the overall SIB revenue requirement and efficiency credit as well as individual SIB fixed surcharges and efficiency credits;
- Exhibit E: SIB Schedule C, providing the typical bill analysis for residential 5/8" x 3/4" meter customers; and
- Exhibit F: SIB Schedule D, showing, for the most recent rate case, for each SIB Step increase, and pro forma with cumulative SIB Step increases, simplified breakdowns of revenues, expenses, and income; rate base; return on rate base; capital structure; total equity; and return on equity ("ROE"). 44

The Settlement Agreement also includes, as Exhibit 2, an Off-Site Facilities Fee Tariff for the Sedona system. (Ex. A-1 at ex. 2.)

## B. Revenue Requirement, Rate Base, Income Statements, and Adjustments to Same

The Signatories agree on the following adjusted TY results, OCRB/FVRB, and revenue requirements for the Northern Group and its divisions:<sup>45</sup>

	Northern <u>Group</u>	Navajo <u>Division</u>	Verde Valley <u>Division</u>
TY Adjusted Operating Revenues:	\$10,256,611	\$3,663,832	\$6,592,779
TY Adjusted Operating Expenses:	\$8,572,217	\$3,188,861	\$5,383,356
TY Adjusted Operating Income:	\$1,684,394	\$474,971	\$1,209,423
Adjusted OCRB/FVRB:	\$36,045,295	\$10,060,534	\$25,984,762
TY Rate of Return:	4.67%	4.72%	4.65%
Required Operating Income:	\$3,044,018	\$849,610	\$2,194,408
Operating Income Deficiency:	\$1,359,624	\$374,639	\$984,985
Gross Revenue Conversion Factor	1.6478	1.6510	1.6465
Required Revenue Increase:	\$2,240,329	\$618,535	\$1,621,794
Required Revenue Increase %:	21.8%	16.9%	24.6%
Required Operating Revenues:	\$12,496,939	\$4,282,366	\$8,214,573
Required Rate of Return:	8.44%	8.44%	8.44%

The required revenue increase figures set forth above for the Northern Group as a whole and for the Verde Valley division include \$584,929 in TY revenue generated in the Verde Valley's Sedona system by an ACRM surcharge, which will no longer be in effect after this case. (Tr. at 239-40.)

Ex. A-1 at ex. 1.

<sup>&</sup>lt;sup>45</sup> See Ex. A-1 at 2-3, §§ 2.1 through 2.9, Scheds. S.A. A-1, B-1, B-2, B-2 app., C-1, C-2, C-2 app., C-3.

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When the TY ACRM surcharge revenue is deducted, the required revenue increase for the Northern Group is \$1,655,400 or 16.14 percent and for the Verde Valley division is \$1,036,865 or 15.73 percent, which should more accurately reflect the increase that will be perceived by Sedona customers. (See id.)

The OCRB/FVRB figures agreed to by the Signatories reflect adjustments made to true-up post-TY plant to reflect actual costs; to remove from plant the cost of land purchased for an arsenic facility to be built in the Overgaard system; to make working cash calculation consistent with agreed settlement expenses, which included an interest expense component, and with the calculation method used in AWC's most recent rate cases; and to allocate costs for a post-TY Phoenix office plant project to the Northern Group divisions using a previously approved three-factor allocation method. (See Ex. A-1 at Scheds. S.A. B-1, B-2, B-2 app., B-5 app.; Tr. at 192-96.)

The adjusted TY revenue and operating expense figures agreed to by the Signatories reflect reversal of AWC's proposed weather and usage normalization adjustments because the Signatories agreed instead to reflect post-TY declines in customer usage through a five-percent downward adjustment to the billing determinants for the Northern Group. (See Ex. A-1 at 4, § 4.3, Sched. S.A. C-2 app. at 1; Ex. A-3 at 6; Tr. at 92-94, 112-13, 118-19, 196.) The adjusted TY operating expenses also reflect adoption of Staff-recommended downward adjustments to AWC's proposed T&D maintenance expenses, miscellaneous expenses, BMP expenses, and rate case expense; adjustments to depreciation expense to be consistent with Settlement Agreement plant adjustments; and adjustments to property tax and income tax expenses to be consistent with Settlement Agreementadjusted TY revenues and revenue requirements. (See Ex. A-1 at Scheds. S.A. C-1, C-2, C-2 app.; Tr. at 196-201.)

#### C. Cost of Capital

The Signatories agree on the following calculation of AWC's cost of capital for the Northern Group:<sup>46</sup>

	<u>Weight</u>	<u>Cost</u>	Weighted Avg. Cost
Common Equity:	51.1%	10.0%	5.11%
Debt:	48.9%	6.82%	<u>3.33%</u>
Weighted Avg. Cost of Capital:			8.44%

## D. Rate Consolidation and Design

The Settlement Agreement rate design, included as Schedule H-3 to the Settlement Agreement and also set forth in the last column of Exhibit A hereto for purposes of comparison, reflects the Signatories' agreement that full consolidation of the Sedona system into the Verde Valley division should be completed. (See Ex. A-1 at 4, § 4.3, § 5.1, Sched. S.A. H-3.)

The Settlement Agreement rate design for residential customers uses monthly minimum charges that are somewhat higher than those recommended by Staff on direct, but for other customer classes uses Staff's recommended monthly minimum charges. (See Ex. A-1 at Sched. S.A. H-3; Ex. S-2 at Sched. JMM-1.) The Settlement Agreement rate design also incorporates Staff's recommended commodity rate tier break-over points for all customer classes, but sets the commodity rates themselves somewhat higher than those recommended by Staff on direct. (See Ex. A-1 at Sched. S.A. H-3; Ex. S-2 at Sched. JMM-1.)

Compared to existing rates, the Settlement Agreement monthly minimum charges for the Navajo division would increase by approximately 36.5 percent for residential customers and 81.9 percent for other customer classes, while the commodity rates would decrease slightly for the first tier of usage for 5/8" x 3/4" meter residential customers and increase for all other usage for all customers. (See Ex. A-1 at Sched. S.A. H-3.) In Verde Valley, all customers would see their monthly minimum charges increase (by approximately 9.6 percent for residential customers and between 15 and 17.8 percent for other customer classes). (See Ex. A-1 at Sched. S.A. H-3.) Customers in the Sedona system would also see their commodity rates increase, in amounts ranging

<sup>27</sup> Ex. A-1 at 3, § 3.1, Sched. S.A. D-1.

Mr. Reiker testified that the Navajo division has very seasonal customers and usage, which is why average usage is so low and why its rates are so different from those of the Verde Valley division. (See Tr. at 205-06.)

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from 38.47 percent for 5/8" x 3/4" meter residential customers' first-tier usage to 87.62 percent at the highest tier of usage for all customer classes other than industrial. (See id.) But customers in the Pinewood and Rimrock systems would see all of their commodity rates decrease (by approximately 37.4 percent for the 5/8" x 3/4" meter residential customers' first-tier usage and 15.3 percent or more for all other usage for all customers other than industrial customers<sup>49</sup>). (See id.) According to Mr. Reiker, the Settlement Agreement rate design would generate 51 percent of revenues through the fixed monthly minimum charge, for the Northern Group as a whole and for each of the two divisions. (Tr. at 204.)

The Northern Group systems currently share the same service line and meter installation charges and miscellaneous charges and would continue to do so under the Settlement Agreement rate design, although these charges are revised in the Settlement Agreement to be consistent with the charges recently approved for the Western and Eastern Group systems. (See Ex. A-1 at Sched. S.A. H-3: Decision No. 73144 (May 1, 2012); Decision No. 73736 (February 20, 2013); Decision No. 73829 (April 10, 2013).)

The Settlement Agreement rate design would have approximately the following impacts on the monthly bills of 5/8" x 3/4" meter residential customers with average and standardized 50 usage within each Northern Group division/system:51

**Settlement Agreement Rate Design** 

Division/System	Usage (Gallons)	Current Bill	Settlement Bill	Dollar Change	Percent Change
Navajo	3,150	\$26.24	\$29.82	\$3.58	13.64%
•	7,500	\$48.57	\$53.40	\$4.84	9.96%
Verde Valley (Pinewood, Rimrock)	3,036	\$33.42	\$31.82	(\$1.60)	(4.78%)
	7,500	\$52.33	\$47.68	(\$4.65)	(8.89%)
Verde Valley (Sedona)	8,751	\$43.97	\$52.13	\$8.15	18.54%
	7,500	\$41.23	\$47.68	\$6.45	15.63%

Industrial customers would see a commodity rate increase of approximately 111.46 percent; they currently pay, for all usage, a single commodity rate set lower than the first-tier commodity rate for all but the smallest residential customers. (See id.)

Industrial customers would receive a much more modest decrease for usage because they currently pay a rate set below the first-tier commodity rate of all users other than 5/8" x 3/4" meter residential customers. (See Ex. A-1 at Sched.

Standardized usage figures, at 7,500 gallons, are provided to facilitate comparisons of impact between systems/divisions.

See Ex. A-1 at Sched. S.A. H-4; Ex. A-18. The current bill amounts for the Sedona system include ACRM surcharge amounts.

## E. System Improvement Benefits ("SIB") Mechanism

The Settlement Agreement states the following regarding the SIB Agreement:

For ratemaking purposes and for the purposes of this Agreement, the Signatory Parties agree that the terms and conditions of the SIB Settlement as is ultimately approved by the Commission in Docket No. W-01445A-11-0310 shall be applicable to AWC's Navajo (Lakeside, Pinetop Lakes, Overgaard and Forest Towne) and Verde Valley (Sedona, Valley Vista, Pinewood and Rimrock) public water systems, and that the SIB mechanism adopted in the SIB Settlement shall be available to those systems under the terms and conditions set forth in the SIB Settlement, adjusted as appropriate to reflect the specific projects eligible for SIB treatment in the Pinetop Lakes, Overgaard, Sedona, Pinewood, and Rimrock public water systems. The Signatory Parties agree that all factors incorporated into the SIB Settlement and its application to AWC's Northern Group in this proceeding have been carefully considered in reaching settlement on the Cost of Capital . . . . 52

In the Phase 2 Decision, the Commission modified the SIB Agreement by requiring AWC to file the following information with each SIB surcharge adjustment filing, to the extent that the SIB Agreement did not already require the information to be filed:

(1) the most current balance sheet at the time of the filing; (2) the most current income statement; (3) an earnings test schedule; (4) a rate review schedule (including the incremental and pro forma effects of the proposed increase); (5) a revenue requirement calculation; (6) a surcharge calculation; (7) an adjusted rate base schedule; (8) a CWIP ledger (for each project showing accumulation of charges by month and paid vendor invoices); (9) calculation of the three factor formula (as requested by Staff); and (10) a typical bill analysis under present and proposed rates.<sup>53</sup>

The Commission further modified the SIB Agreement by requiring AWC to perform an earnings test calculation for each initial and annual SIB filing, to show whether the actual rate of return for the relevant 12-month period for each affected system or division exceeded the most recently authorized fair value rate of return for the system or division. (Decision No. 73938 at 51.) The Commission specified that the earnings test calculation must use (1) "the most recent available operating income, adjusted for any operating revenue and expense adjustments adopted in the most recent general rate case," and (2) the rate base adopted in the most recent general rate case, updated

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Ex. A-1 at 4, § 6.1. Mr. Reiker clarified during the hearing that this language in the Settlement Agreement was intended to mean that AWC and Staff would accept the outcome of the Commission's Phase 2 consideration of the SIB Agreement, for purposes of the Settlement Agreement in this case, even if that outcome were denial of the SIB. (Tr. at 57-58.)

Decision No. 73938 at 50-51.

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Id. at 51.

for changes in plant, accumulated depreciation, contributions in aid of construction ("CIAC"), advances in aid of construction ("AIAC"), and accumulated deferred income taxes ("ADIT") through the most recent quarterly or longer financial statement available. (Id.) The Commission further required that the results of the earnings test be used to determine whether a SIB surcharge will go into effect and to what extent:

> If the earnings test calculation described herein shows that [AWC] will not exceed its authorized rate of return with the implementation of the SIB surcharge, the surcharge for the year may go into effect upon issuance of the surcharge approval order and subject to the conditions described herein. But if the earnings test calculation described herein shows that [AWC] will exceed its authorized rate of return with the implementation of any part of the SIB surcharge, the surcharge for that year may not go into effect. Lastly, if the earnings test calculation described herein shows that [AWC] will exceed its authorized rate of return with the implementation of the full surcharge, but a portion of the surcharge may be implemented without exceeding the rate of return, then the surcharge may be authorized up to that amount, again upon issuance of the surcharge approval order and subject to the conditions described herein. reiterate that the proposed SIB surcharges shall be evaluated by the Commission according to all relevant factors, including the results of the earnings test. In any event, the earnings test shall not impact the approval of the SIB mechanism or the possibility of SIB surcharges in future years where authorized in accordance with the SIB mechanism.

The Commission additionally revised the SIB Agreement by adopting several alternative schedules for calculating the SIB that had been provided by AWC during the Phase 2 hearing after AWC determined that the original schedules did not reflect the tax benefits of incremental interest expenses. (Decision No. 73938 at 54 n40; Phase 2 Tr. at 221-32.) Those alternative schedules, which were attached to Decision No. 73938 as Attachment B, are attached hereto and incorporated herein as Exhibit C.

Finally, the Commission directed that Staff should prepare a Staff Report and Proposed Order for the Commission's consideration with each SIB surcharge filing, modifying the SIB Agreement's requirement for AWC to provide a proposed order for Commission consideration with each SIB filing. (Decision No. 73938 at 58.)

The Commission determined that the SIB Agreement, with the modifications made in the Decision, "represents a reasonable compromise of contested issues, is in accord with Arizona law

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and, as a whole, is consistent with the public interest." (*Id.* at 59.) The Commission further concluded that the SIB mechanism embodied in the SIB Agreement complies with the Commission's constitutional requirements and with the case law interpreting the Commission's authority and discretion in setting rates; that the Commission has the constitutional ratemaking authority to approve adjustment mechanisms in a general rate case; and that the SIB Agreement and SIB mechanism embodied therein, as modified by the Commission, satisfy the fair value concerns addressed by various court decisions. (*Id.*)

#### F. Other Settlement Issues

The Signatories agree that AWC should be permitted to collect OSFFs as proposed in its Application and agree on the language of the OSFF (Water) Tariff Schedule attached as Exhibit 2 to the Settlement Agreement and incorporated therein by reference. (Ex. A-1 at 4, § 7.1, ex. 2.) By its terms, the OSFF Tariff Schedule applies to the Verde Valley's Sedona system, expressly including the Sedona PWS and the Valley Vista PWS. (Ex. A-1 at ex. 2.)

The Signatories agree that AWC should be authorized to implement an ACRM for the Navajo and Verde Valley divisions. (Ex. A-1 at 4, § 7.2.)

The Signatories agree that AWC may defer, for recovery in a future general rate case, AWC's costs associated with implementing and performing its Commission-approved BMPs and, further, that AWC should record deferral of its BMP costs. (Ex. A-1 at 5, § 7.3.)

#### G. Additional Provisions

The Signatories acknowledge in the Settlement Agreement that the Commission will independently consider and evaluate the terms of the Settlement Agreement. (Ex. A-1 at 5, § 8.3.) The Settlement Agreement provides that if the Commission issues an order adopting all material terms of the Settlement Agreement, such action shall constitute Commission approval of the Settlement Agreement, and the Signatories shall thereafter abide by the terms as approved by the Commission. (Id. at 5, § 8.4.) The Settlement Agreement further provides that the Signatories agree to waive their rights to appeal a Commission Decision approving the Settlement Agreement, provided that the Commission approves all material provisions of the Settlement Agreement. (Id. at 5, § 8.5.)

The Settlement Agreement provides that AWC shall file compliance tariffs, consistent with

any order of the Commission, for Staff review and approval and that such compliance tariffs shall become effective on the effective date of the rate increase stated in the Commission's order. (*Id.* at 5, § 8.6.)

The Settlement Agreement also states that if the Commission fails to issue an order adopting all material terms of the Settlement Agreement, or adds new or different material terms to the Settlement Agreement, or decides any issue or adopts any position in conflict with any material term of the Settlement Agreement, a Signatory may withdraw from the Settlement Agreement and may pursue remedies at law. (*Id.* at 5, § 8.7.) The Settlement Agreement provides that "whether a term is material shall be left to the discretion of the Signatory Party choosing to withdraw." (*Id.*) In addition, the Settlement Agreement provides that if AWC files an application for rehearing before the Commission, "Staff shall not be obligated to file any document or take any position regarding the AWC's application for rehearing." (*Id.* at 5-6, § 8.7.) The Settlement Agreement also acknowledges that "Staff does not have the power to bind the Commission." (*Id.* at 6, § 8.7.)

### V. AWC and Staff Testimony in Support of the Settlement Agreement

Mr. Reiker testified in support of the Settlement Agreement, stating that the Settlement Agreement is just and reasonable and in the public interest, that it provides benefits to all parties, and that it serves the public interest by allowing the parties to avoid the expense and delay associated with continued litigation. (Ex. A-3 at 5.) Mr. Reiker opined that the Settlement Agreement will result in rates, charges, and conditions of service that are just and reasonable and in the public interest because the Settlement Agreement will (1) provide AWC an opportunity to recover its cost of providing service to the public, including the cost of capital deployed to provide the service; (2) through the SIB mechanism and ACRM, provide for partial recovery of known and measurable costs associated with qualifying infrastructure replacement projects and arsenic removal facilities; and (3) through the OSFF Tariff, assign the costs of constructing additional off-site facilities needed to provide water production, treatment, delivery, storage, and pressure to the new customers whose additional demand necessitates the additional facilities. (Ex. A-3 at 9.)

Regarding the SIB Agreement and operation of the SIB, Mr. Reiker explained that the specific SIB-eligible projects contemplated by AWC for the Northern Group and listed in SIB Plant

Table I are the same projects previously identified in the three-year plan included with Mr. Schneider's direct testimony.<sup>55</sup> (Ex. A-3 at 8; Tr. at 58-59.)

Mr. Olea testified that AWC, RUCO, and Staff all participated in the settlement meetings; that all parties were accorded an opportunity to raise, discuss, and propose resolutions to any issue; that all parties had an opportunity to be heard and to have their issues and input fairly considered; and that all parties "zealously advocated and represented their interests" in the "candid but professional" discussions. (Ex. S-5 at 4-5.) According to Mr. Olea, Staff's primary goal in rate proceedings is to protect the public interest by making recommendations that are just, fair, and reasonable for both the ratepayers and the utility, and Staff believes it has accomplished that goal in this matter because the Settlement Agreement will result in AWC's having the "tools and financial health" to provide safe, adequate, and reliable service, at just and reasonable rates, while complying with Commission requirements. (*Id.* at 8.) Mr. Olea stated that the "Signatories compromised on what could be described as vastly different litigation positions" and that those compromises furthered the public interest. (*Id.* at 5.)

Mr. Olea identified the major policy considerations for the Signatories as whether AWC should have a SIB mechanism for its Northern Group and whether rates should be set to reflect a reduction in water sales attributed to the inclining block tiered rate design and the BMPs being implemented by AWC. (*Id.* at 8-9.) Mr. Olea stated that allowing AWC to use the SIB mechanism for its Northern Group will benefit both AWC and its customers, for all of the reasons outlined by Staff in Phase 2 of the Eastern Group Docket. (*Id.* at 8.) Regarding the five-percent reduction in billing determinants, Mr. Olea explained that because Staff believes the proposed rate design and Commission-approved BMPs will have the effect of reducing overall water use, "some type of water use reduction had to be included in the revenue requirement calculation" in order to allow AWC to have the opportunity to earn its approved rate of return. (*Id.* at 9.) Staff believes that the five-percent figure is proper and adequate for AWC in this case. (*Id.*)

SIB Plant Table I was admitted as Exhibit A-2. Staff's engineer reviewed the three-year-plan projects; found the three-year-plan projects, with their projected costs, to be a reasonable and appropriate proposal; and recommended implementation of the three-year-plan projects to address water loss in the Northern Group. (Ex. S-4 at ex. KS at ii, 38-39.)

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Mr. Olea also asserted that both AWC and its ratepayers/customers want the same outcome the provision of proper, adequate, safe, and reliable water utility service at a fair and reasonable price—although the two may differ on how to achieve that outcome. (Id. at 5.) Mr. Olea testified that the Settlement Agreement resulted from a balancing of the interests of AWC and its ratepayers/customers and is fair, balanced, and in the public interest. (Id. at 7-8.) According to Mr. Olea, ratepayers are going to pay just and reasonable rates for the services and product received, without going through a long and drawn-out proceeding; the adjustment made for declining usage should help to mitigate whatever increase might be needed in AWC's next Northern Group rate case if usage does decline as expected; the Settlement Agreement rate design is in customers' best interests; and the Settlement Agreement as a whole is in customers' best interests. (See Tr. at 279, 295-301.)

Mr. Olea testified that the SIB Agreement is intended to be used as a template for other companies, which will be beneficial because the types of plant eligible for SIB treatment will be known up front in a rate case through the tables, any changes would need to be documented so that the exact plant for the SIB is known, there will be annual filings, there will be a six-month filing, and there is a system set up to allow the process to move quickly. (Tr. at 263-64.) Mr. Olea stated that if it does not work as expected, the SIB will either be changed or eliminated. (Tr. at 264-65.) Staff will be reviewing every comment and complaint filed related to the SIB so that appropriate action can be taken. (Tr. at 265.)

#### VI. RUCO's Opposition to the Settlement Agreement

RUCO opposes the Settlement Agreement because RUCO disagrees with the SIB mechanism, the declining usage adjustment used in creating the Settlement Agreement rate design, and the overall rate of return. <sup>56</sup> (See Ex. R-5 at 4.)

#### A. SIB Mechanism

According to Mr. Rigsby, RUCO opposes the SIB mechanism because RUCO believes that the SIB mechanism (1) shifts risk from AWC to ratepayers without providing adequate financial

Mr. Rigsby also mentioned that the Settlement Agreement does not address fire flow upgrades, which he stated have been "problematic" in the past. (Ex. R-5 at 15.)

consideration to the ratepayers in return, (2) is not legal in Arizona, (3) is flawed as proposed, and (4) is not in the public interest. (Ex. R-5 at 9-10.) Mr. Rigsby explained that RUCO believes the SIB mechanism shifts risk to ratepayers by reducing regulatory lag<sup>57</sup> for AWC without adjusting for (and flowing through to ratepayers) any actual cost savings attributable to the new plant. (Id. at 10.) Mr. Rigsby asserted that regulatory lag serves as a "surrogate for the competitive pressures that force unregulated companies to keep their costs low." (Id. at 11.) Mr. Rigsby testified that unlike a typical adjustor mechanism, such as for fuel purchases, which "operates on a two way street basis by flowing both increases and decreases in costs to ratepayers," the SIB mechanism creates a "one way street" because AWC receives cost recovery through the SIB mechanism, but ratepayers receive no actual 10 cost savings and additionally no longer benefit from rate stability. (Id.) Mr. Rigsby acknowledged the five-percent efficiency credit adopted in the SIB Agreement, but described it as "woefully inadequate" to make up for the shift in risk to ratepayers, who RUCO believes would receive no other 12 financial benefit from the Settlement Agreement. (Id. at 11, 14.) Mr. Rigsby stated that there simply 14 is no equitable guid pro quo provided to ratepayers. (Tr. at 330-31.)

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Although Mr. Rigsby left the details of RUCO's legal argument against the SIB mechanism to RUCO's brief, discussed below, Mr. Rigsby stated that RUCO believes the SIB mechanism will not fulfill the Arizona Constitution's requirement for a fair value determination because the Commission "will not be making a meaningful fair value finding as part of each surcharge filing." 58 (Ex. R-5 at 12-13.) Mr. Rigsby also quoted Staff's language from its Opening Brief in Phase 1 of the Eastern Group case, in which Staff characterized the DSIC as unconstitutional. (Id. at 12.) Mr. Rigsby asserted that the abbreviated review period for a SIB surcharge application will be inadequate to perform a proper regulatory review for prudence and reasonableness and criticized the SIB mechanism as "piecemeal ratemaking" and as a means of allowing recovery for the costs of routine plant replacement in the absence of extraordinary circumstances such as a government mandate. (Id.

Mr. Rigsby defined regulatory lag as "the time that it takes for a utility to recover the costs of plant additions placed into service between general rate case proceedings through new rates" and stated that the SIB mechanism would allow AWC to recover a return on SIB-eligible plant, and a return of the depreciation expense associated with that plant, without having to wait for a general rate case. (Ex. R-5 at 10-11.)

Mr. Rigsby opined that the fair value finding will not be meaningful because a SIB surcharge could be established within 30 days after AWC's request, and thus will not receive the same level of scrutiny that would occur in a general rate case proceeding. (Ex. R-5 at 14.)

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at 14-15; Tr. at 370.) According to Mr. Rigsby, there is no reason to believe that AWC would be unable to provide safe and reliable service or to obtain cost recovery without a SIB mechanism. (Ex. R-5 at 15.) Mr. Rigsby expressed concern that the water loss threshold for SIB mechanism eligibility might "have the unintended effect of encouraging utilities to exceed the 10.00 percent threshold just to qualify for a SIB surcharge." (Id.) Rather than elaborating further on the flaws of the SIB Agreement, Mr. Rigsby referred to RUCO's Closing Brief in Phase 2 of the Eastern Group rate case. (*Id*.)

As to the SIB mechanism's not being in the public interest, Mr. Rigsby referred to NASUCA's 1999 resolution, stating that frequent rate increases reduce rate stability and distort proper price signals, that mechanisms like the SIB have not been proven to reduce the frequency of rate cases.<sup>59</sup> that such mechanisms can inappropriately reward utilities that have imprudently fallen behind in infrastructure improvements, and that such mechanisms inappropriately shift business risk away from utilities and toward consumers just to cause the utilities to meet their obligations to provide safe and adequate service. (*Id.* at 16-17.)

Mr. Rigsby observed that not much had been heard about AWC cost-cutting efforts in the hearing for this matter and questioned whether the SIB mechanism creates less incentive for AWC to operate more efficiently or control costs, because its rates will not be "frozen" between rate cases. (Tr. at 339-40, 392.) Mr. Rigsby testified that he was familiar with AWC's pre-filed testimony related to cost-cutting measures started in early 2008. (Tr. at 393-94.)

RUCO also challenged AWC's position regarding its not having earned its authorized rate of return because of regulatory lag, eliciting an acknowledgment from Mr. Reiker that AWC has consistently paid annual dividends to its shareholders, that those annual dividends have generally increased, and that AWC may have had an opportunity to earn its authorized rate of return although it has not done so for 16 years. 60 (See Tr. at 99-100.)

Mr. Rigsby referred to the May 2012 Comments of the Regulatory Affairs & Public Advocacy Section of the Alaska Attorney General's Office ("RAPA"), Alaska's RUCO counterpart, filed with the Regulatory Commission of Alaska in a docket examining a plant replacement surcharge mechanism, which asserted that there is no support for the conclusion that the adoption of such mechanisms reduces the frequency of rate cases. (Ex. R-5 at 16.) Limited official notice of the RAPA Comments was taken in both Phase 1 and Phase 2 of the Eastern Group Docket.

Mr. Reiker testified that a reasonable person would expect AWC to have recovered its costs in at least one of the 16 years if it were simply a matter of tightening its belt and cutting costs. (Tr. at 100-01.)

On brief in this case, RUCO made the same arguments concerning the SIB that it had made in Phase 1 and Phase 2 of the Eastern Group Docket regarding the DSIC and the SIB. RUCO asserts that the SIB fails to meet the Commission's constitutional obligation to find fair value and does not meet any of the exceptions under Arizona law because it is not an adjustor mechanism to cover limited fluctuating operating expenses; AWC has not asserted an emergency or requested interim rates; the Commission has not been authorized to create a third exception to the constitutional fair value requirements; and if there were a third exception, the SIB should not qualify because there are no extraordinary circumstances to warrant an exception. RUCO disagrees with the legal analysis set forth in Decision No. 73938, in which the Commission concluded that the SIB is legal.

On brief, RUCO also argued that specific provisions of the SIB Agreement are problematic:

- § 3.3, which creates the five-percent efficiency credit that RUCO asserts is "inadequate" and "paltry" compared to the benefits shareholders will receive;
- §§ 4.6 and 4.7, which RUCO states does not explain what is to happen to the SIB after the next rate case, a situation RUCO describes as "perilous";
- § 6 generally, which RUCO states does not require the Commission to take into account factors such as the history of the company and its past financial circumstances when determining eligibility;
- § 6.3.1, which includes water loss in excess of 10-percent as one of the eligibility criteria and RUCO states could thereby create "perverse incentives" and reward "impure conduct";
- § 6.3.3, which RUCO states leaves the disqualifiers "negligence or improper maintenance" open to interpretation;
- § 6.4, which RUCO states is overly broad in establishing the plant eligible for SIB
  treatment and could result in unintended plant being eligible, such as fire main
  upgrades with the sole purpose of improving fire flow, or perhaps plant that is not
  "non-revenue producing";
- § 6.5, which RUCO states leaves unstated and open to interpretation what happens if either Staff or RUCO objects to a company request to modify or add SIB projects; and

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See RUCO Br. at 13-17. See Decision No. 73736 at 71 (February 20, 2013).

§ 7.1.7, which requires SIB Schedule D, which RUCO states was included to meet the requirements of Scates, 61 but which RUCO states does not meet the fair value requirement. 62

RUCO suggested that § 6 should include a catch-all eligibility provision requiring eligibility to be determined "subject to the consideration of all of the facts and circumstances of [the] given case," which RUCO states would "tighten" eligibility and possibly serve as a "disincentive to questionable conduct." (RUCO Br. at 15.)

As previously noted, RUCO applied for rehearing regarding Decision No. 73938, and its rehearing request has been granted, along with a reopening of Decision No. 73736 under A.R.S. § 40-252, specifically for consideration of the ROE for the Eastern Group.

#### Declining Usage Adjustment B.

Regarding the declining usage adjustment, Mr. Rigsby testified that AWC would over-collect revenues and could even see a "windfall" in operating income if the projected declines in water consumption do not occur; that reducing TY billing determinants for declining usage is not common, as TY billing determinants normally are adjusted only to annualize for end-of-TY customer counts; and that the Commission has never before approved a declining usage adjustment for AWC, in spite of multiple AWC requests. (Ex. R-5 at 18-19.) Mr. Rigsby asserted that RUCO is not convinced either that the level of declining usage per customer will continue or that the declining usage results from conservation efforts. (Id. at 19.) Rather, Mr. Rigsby suggested that the declining usage could be the result of ratepayers responding to the overall rate increases authorized in past years or even the recent economic downturn. (Ex. R-6 at 2-4.) Mr. Rigsby also pointed out that Staff disagreed with AWC's request for a declining usage adjustment both in the Eastern Group rate case and in its original direct testimony in this case; that the declining usage adjustment was also rejected by the Commission in the Eastern Group Phase 1 Decision;<sup>63</sup> and that in his opinion, AWC has not provided

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which the Commission may authorize partial rate increases without requiring entirely new submissions").

Scates v. Arizona Corp. Comm'n, 118 Ariz. 531, 578 P.2d 612 (Ariz. Ct. App. 1978) (holding that Commission

lacked authority to increase rates without considering the overall impact of the rate increase upon a utility's return and without determining a utility's fair value rate base, but acknowledging that there "may well be exceptional situations in more complete and transparent information as to the normalization adjustment methodology used in this case than it did in the Eastern Group case. (Ex. R-6 at 3-5.) Additionally, RUCO does not believe that any declining usage would prevent AWC from earning its authorized return, because RUCO expects usage levels to stabilize with time, as customers essentially run out of new potential conservation measures. (Ex. R-5 at 19-20; Tr. at 360.) Mr. Rigsby asserted that by his calculations, if usage does not decline as projected, the Northern Group will receive an additional \$419,644 in operating revenue as a result of the declining usage adjustment, which RUCO believes would not be an equitable result. (Ex. R-5 at 21; Tr. at 332-33.) RUCO believes that approximately half of that, \$209,060, would be an equitable amount and that it would be produced by a 9.30 percent cost of equity and an 8.09 percent rate of return, if declining usage flattens. (Ex. R-5 at 21.)

RUCO also questioned whether both customers and AWC will receive the wrong signals as a result of the declining usage adjustment. (Tr. at 338.) For customers, RUCO said the problem would be a disincentive to conserve because conservation results in higher rather than lower bills. (Tr. at 338-39, 362.) For AWC, RUCO questioned whether the declining usage adjustment would serve as a disincentive to increasing operational efficiency and cutting costs. (*Id.*)

On brief, in addition to arguing that the declining usage adjustment is not in the public interest, RUCO argued that the Commission would undermine its authority if it were to change its position by approving a declining usage adjustment to billing determinants:

Moreover, and perhaps even more important, the Commission established criteria in the months old Eastern case that must be met before it would approve such an adjustment. Decision No. 73736 at 70-71. That criteria has not been met – aside from the obvious negative connotations associated with approving an adjustment that does not meet the criteria the Commission set less than six months ago, such approval could affect the integrity of the Commission's decisions going forward – why would anyone have any faith in a Commission decision if the Commission does not require compliance with its own judgment? The Commission should not approve the declining usage adjustment as it would be contrary to the public interest.<sup>64</sup>

#### C. Cost of Equity

Mr. Rigsby asserted that a downward adjustment to the Settlement Agreement's 10.00 percent cost of equity should be made if either the SIB mechanism or declining usage adjustment is approved

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<sup>&</sup>lt;sup>64</sup> RUCO Br. at 25.

because both the SIB mechanism and the declining usage adjustment shift risk away from AWC and onto ratepayers, through annual SIB surcharges and higher rates than TY billing determinants would produce. (*Id.* at 17, 20.) RUCO ultimately recommended that AWC's cost of equity be reduced to 8.80 percent<sup>65</sup> and its rate of return to 7.83 percent,<sup>66</sup> which would result in total operating revenue of \$12,131,658, representing an increase in gross revenue of \$1,875,047 and a reduction of \$365,282 from the amount of the increase included in the Settlement Agreement. (*Id.* at 21-22.) RUCO believes that its recommended 7.83 percent rate of return is reasonable because of the asserted shift in risk attributed to the SIB mechanism and the possible effects of the declining usage adjustment. (*Id.* at 23.) Mr. Rigsby clarified at hearing, however, that RUCO continues to oppose the Settlement Agreement, the SIB, and the declining usage adjustment. (Tr. at 359-60.)

#### VII. AWC and Staff Reponses to RUCO

#### A. SIB Mechanism

Mr. Reiker disagreed with RUCO's position that the SIB mechanism shifts risk to ratepayers by reducing regulatory lag, stating that in mainstream finance, only an investor can bear any risk associated with an asset, and customers are not investors. (See Ex. A-4 at 4-5; Tr. at 99.) Mr. Reiker elaborated on the distinction between a customer and an investor by stating that customers pay for service, for the ability to turn on the faucet and have water come out, not for the infrastructure providing the service, in the same way that someone who buys a ticket for a train ride is not buying the train. (See Tr. at 98-99.) Additionally, Mr. Reiker stated, the reduction in regulatory lag for AWC will encourage AWC's investors to replace aging and failing infrastructure, which will result in reductions in the types of risks that water customers do experience—such as risk of contamination and risk of service interruptions. (See Ex. A-4 at 5.) Mr. Reiker also asserted that a portion of Mr.

Mr. Rigsby pointed out Value Line's weekly Selection and Opinion publication for May 17, 2013, showing the yield for an A-rated 25- to 30-year utility bond as 3.94 percent and the yield for a slightly riskier Baa/BBB-rated 25- to 30-year bond as 4.29 percent, and stated that his recommended COE is more than double that rate, which should be "more than adequate to compensate investors for any perceived risks [AWC] may have." (Tr. at 345-46.) He also referred to Ms. Ahern's estimated 11.30 COE as "way out of line," considering the current state of interest rates and bond yields and the fact that the Standard & Poor's 500 index for 1926 through 2011, which includes much riskier companies than AWC, is 11.8 percent. (Id. at 346.)

Mr. Rigsby also testified at hearing that a 50-basis-point reduction should be made to the Settlement Agreement COE "if the decline in usage adjustment were off the table." (Tr. at 334-35.) He acknowledged that this was simply an estimate, a conservative estimate in his opinion, and not a number based on any particular data or formula. (Tr. at 363.)

Rigsby's argument is premised on the idea that a utility will recover its cost of service over the long 1 2 term, something that Mr. Reiker asserts AWC has not done for the past 16 years. (Id. at 5-6.) To 3 support this, Mr. Reiker provided a table showing AWC's actual return, authorized return, and amount of under-recovery each year for the period 1997 through 2012.<sup>67</sup> (*Id.* at 6.) According to Mr. 4 Reiker, AWC's customers will receive economic benefits from the SIB mechanism, both from the 5 five-percent efficiency credit based on SIB revenues and from any income tax savings that result 6 7 from additional AWC long-term debt, which makes the SIB mechanism more favorable to ratepayers than a traditional adjustor mechanism would be. (Id. at 7.) Mr. Reiker noted that customers will also benefit because the SIB Agreement requires AWC to file a general rate case application. 68 (Id. at 8.) Mr. Reiker took issue with Mr. Rigsby's assertions that the SIB mechanism will result in less scrutiny 10 11 of plant replacements, stating that the SIB mechanism will actually result in more stringent scrutiny 12 of eligible infrastructure replacements because the Commission will first review detailed pre-SIB, pre-construction engineering support for infrastructure replacements for which SIB treatment is 13 requested, something that is not currently done in the context of a general rate case, and both Staff 14 15 and RUCO will be provided with all of the contractor invoices for the SIB projects once completed, 16 which is more information than is provided in a general rate case audit. (*Id.*; Tr. at 102-03.)

Mr. Reiker also emphasized that the discussions leading to Staff's acceptance of the SIB-eligible plant for Northern Group Table I nearly became "heated"; that AWC believes Staff's review is "not going to be easy"; and that AWC understands its best interests will be served by putting in each SIB filing only those items that Staff will agree "make sense" to receive SIB treatment, so as to avoid a Staff objection, a hearing situation, and delay. (Tr. at 62-63.) In response to RUCO's criticism of the SIB mechanism for allowing AWC to recover, outside of a rate case, depreciation expenses related to SIB-eligible plant in addition to a return on the SIB-eligible plant, Mr. Reiker

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The table, created by AWC using AWC's records, shows under-recovery in each of these years, ranging from a low of approximately \$250,000 in 1997 to a high near \$7 million in 2007, and declining to an amount just under \$1 million in 2012. (Ex. A-4 at 6.) Mr. Reiker stated that the cumulative amount, more than \$41 million, was borne by AWC's shareholders. (*Id.* at 6-7.)

The SIB Agreement specifically requires AWC to file an Eastern Group general rate case application by August 31, 2016, with a test year ending no later than December 31, 2015. (See Ex. A-1 at ex. 1 at 6, § 4.6.) AWC and Staff both testified to an understanding that the Settlement Agreement would require AWC's next Northern Group general rate case application to be filed in five years. (See Tr. at 95, 159, 298-99.)

testified that AWC will be "net[ting] out" any depreciation expense related to retirements and will 1 2 also be reducing the revenue requirement by a hypothetical amount of interest expense tax benefit. 3 4 5

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(Tr. at 103-04.) In response to RUCO's concerns that AWC may under-collect revenues with the SIB mechanism, resulting in a true-up in its next general rate case, Mr. Reiker testified that underrecovery is very unlikely because of natural growth in the system<sup>69</sup> and that AWC expects to have over-recovery followed by true-up. (See Tr. at 104-05.)

Ms. Ahern disagreed with the idea that the existence of regulatory lag is consistently beneficial to customers, stating that regulatory lag can actually increase risk to both a utility and its customers by permanently impairing a utility's ability to earn its authorized rate of return. (See Ex. A-5 at 5.) Ms. Ahern also stated that the partial mitigation of regulatory lag resulting from the SIB mechanism would improve AWC's ability to attract capital as well as its service quality and reliability, while providing gradualism in rate increases and resulting in less costly infrastructure replacements. 70 (Id. at 5-6.) According to Ms. Ahern, the absence of a SIB mechanism actually increases risk to customers, who ultimately pay more for infrastructure and in operating costs.<sup>71</sup> resulting in higher rates, and experience rate shock because infrastructure replacement is "bunched' up."<sup>72</sup> (See id. at 6-7.) Ms. Ahern distinguished the SIB mechanism from the "cost trackers" referenced by Mr. Rigsby, stating that the only similarity is that they both allow for recovery of costs on a periodic basis outside of a rate case. (*Id.* at 7.)

Ms. Ahern provided a Value Line Water Utility Industry publication from April 19, 2013, in which Value Line stated the following: "Much of the water infrastructure in the U.S. is aging and will require massive amounts of funds for repairs and modernization. No utility will be able to generate sufficient cash internally to cover these outlays." (Ex. A-14.) Value Line cited the American Society of Civil Engineers ("ASCE") and the American Water Works Association ("AWWA"), respectively, as stating that water industry infrastructure is 70-percent underfunded and

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Mr. Reiker testified that AWC has only lost customers in one of the past 10 years, and then only a handful. (Tr. at 105.)

Ms. Ahern stated that this is because the SIB mechanism reflects the time value of money. (Ex. A-5 at 5.)

Ms. Ahern attributed higher water costs to higher water losses resulting from delayed replacement of antiquated infrastructure. (See id. at 6-7.)

At hearing, Mr. Rigsby acknowledged that rate shock can result from regulatory lag, particularly where a utility does not have a rate case for 10 or more years, such as he has seen occur in Arizona. (Tr. at 352-53.)

<sup>73</sup> Ex. A-10 at ex. PMA-11 at 2.

will necessitate \$1 trillion in expenditures in the next 25 years. (*Id.*) Ms. Ahern previously had provided the ASCE 2009 Report Card for America's Infrastructure (March 29, 2009) as an exhibit to her pre-filed direct testimony. (*See* Ex. A-10 at ex. PMA-11.) The 2009 ASCE Report Card stated:

Drinking water again earned a D-. America's drinking water systems face an annual shortfall of at least \$11 billion to replace aging facilities that are near the end of their useful life and to comply with existing and future federal water regulations. . . [T]he costs of treating and delivering that water where it is needed continue to outpace the funds available to sustain the system. <sup>73</sup>

Mr. Olea also responded to RUCO's criticisms of the SIB mechanism, stating that RUCO had not provided any new arguments or reasons beyond what had been stated in the Eastern Group Docket. (Ex. S-6 at 1.) Mr. Olea testified that Staff believes the SIB mechanism does not shift risk from AWC to ratepayers without adequate financial consideration, that Staff believes there are no flaws in the SIB mechanism, and that Staff's attorneys consider the SIB mechanism to be legal and within the Commission's authority to approve as proposed. (*Id.*)

At both the Phase 2 hearing and the hearing in this matter, AWC and Staff responded to some questions regarding the meaning of different provisions of the SIB Agreement and how the SIB Mechanism would operate. For example, Mr. Reiker testified that SIB eligibility criteria includes both Staff review and approval or acceptance and Commission review and final approval and that a SIB surcharge cannot become effective without express Commission approval. (Ph. 2 Tr. at 107, 129-30.) Regarding Staff or RUCO objections under SIB Agreement § 6.5, Mr. Reiker and Mr. Olea both testified that they would expect AWC to agree to suspension of the 30-day time clock and for the AWC SIB filing not to be placed on an Open Meeting agenda while the parties engaged in discussions to try to work out an agreement to allow the SIB filing to go forward. (See id. at 80-81, 123, 129-30, 250-52, 286-87.) Mr. Reiker testified that AWC hopes Staff or RUCO would call AWC instead of actually filing an objection and ask for AWC to agree to suspend the 30-day clock to work out an agreement. (Id. at 123.) AWC and Staff acknowledged that the process will be up to the Commission, and both anticipate the Commission not allowing a SIB filing automatically to go forward if there is an objection filed, that proceedings instead would ensue as ordered by the

Commission or the Hearing Division. (See id. at 129-30, 250-52.) Regarding criteria for SIB eligibility, Mr. Reiker testified that the Table I affirmations serve to ensure that the plant included is not revenue producing, i.e., that it will not create any new revenue streams. (See id. at 127-28, 134-35.) Mr. Olea testified that when a SIB surcharge filing is made, Staff will already have reviewed and approved the Table I plant during the rate case, will already have reviewed the six-month filing, and will just need to match up those filings with the SIB surcharge filing, with the end result being that SIB plant may get more scrutiny than any other plant. (See id. at 286-90, 316-17.) Mr. Olea testified that if Staff believes that there is a problem with a SIB filing, or that a company should not receive a SIB even though it meets the criteria for a SIB, Staff will file an objection, and the Commission will decide the process and outcome. (See id. at 260-61.) Staff intends to file an objection and recommend disallowance of a SIB, and may even initiate an Order to Show Cause, if Staff believes that a company has purposely let its water loss or plant condition degrade so as to become eligible for a SIB. (See id. at 253, 314-15.) Staff testified that in the permanent rate case following the implementation of a SIB mechanism, the SIB surcharges will be zeroed out, the SIB plant minus depreciation will go into rate base, the efficiency credit will go away, and the Commission will consider whether the SIB should again be approved going forward. (*Id.* at 329-31.) The parties also addressed when notice should be provided to customers, so as to make customers' input meaningful and to allow the Commission the opportunity to choose, based on customers' input, not to send a SIB filing to Open Meeting for approval. (See id. at 104-05, 309-11.) Mr. Olea testified that Staff would expect notice to go to customers before the SIB surcharge filing is made with the Commission, because that would give customers at least 30 days to object. (Id. at 309-11.) Additionally, Mr. Olea testified that Staff would want a utility to work with Staff on the wording of the notice so that customers receive the proper information. (Id.) Mr. Reiker testified that AWC would be willing to provide notice to customers in advance of its SIB filing and to indicate in its SIB filing that customers have been provided notice, so that customers have adequate time to object. (See id. at 104-05.)

## B. <u>Declining Usage Adjustment</u>

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Mr. Reiker took issue with RUCO's criticism of the declining usage adjustment, stating that

RUCO's claims of risk shifting are unsupported and that RUCO's criticism would apply equally to any pro forma adjustment to TY figures that results in a higher revenue requirement. (Ex. A-4 at 8-9.) Mr. Reiker also disagreed with Mr. Rigsby's assertion that the Commission has never before approved a declining usage adjustment. (Id. at 9.) Mr. Reiker pointed out that the declining usage adjustment in the Settlement Agreement would have less impact on revenue than would AWC's originally proposed adjustment, which had included an expense adjustment specifically to be responsive to Commission criticism of the declining usage adjustment proposed and rejected in the Eastern Group Docket, criticism that was echoed by RUCO in this case. (See Tr. at 92-93.)

Mr. Reiker added that compared to the first three months of the TY, the Northern Group experienced a reduction of overall per customer usage for the first three months of 2013, of 7.35 percent for residential customers and 9.7 percent for commercial customers, in spite of the hotter and drier conditions in 2013, and pointed out that this represents a sharper decline than the declining usage adjustment in the Settlement Agreement. (Ex. A-4 at 9; Tr. at 92, 112-13.) Mr. Reiker indicated that a continuation of these declines would result in AWC's failing to recover the Settlement Agreement revenue requirement. (Ex. A-4 at 9-10.) Mr. Reiker also provided a chart showing annual sales per customer from 1997 to 2012, showing that while per customer usage has fluctuated somewhat, it has been trending downward since at least 2000. (See id. at 10.) To further support AWC's projection that usage will continue to decline, Mr. Reiker cited a 2010 Water Research Foundation and U.S. Environmental Protection Agency study examining declining trends in household water usage and concluding that annual residential usage at the national level has declined 0.44 percent per year since 1975 and that residential water usage will continue to decline

Mr. Reiker projected that the decline would result in under-recovery by \$311,051 and that the corresponding reduction in expenses would be only \$145,000. (*Id.* at 9-10.; Tr. at 65.)

Water Research Foundation and U.S. Environmental Protection Agency, "North America Residential Water Usage Trends Since 1992" (2010) ("WRF/EPA Study"). In Phase 1 of the Eastern Group rate case, Mr. Reiker stated that the WRF/EPA Study also attributed declining per-customer usage to smaller households. (See Decision No. 73736 at 67 n80.)

Mr. Reiker stated that in Decision No. 73144 (May 1, 2012), the Commission approved a declining usage adjustment to reflect actual declines in industrial customer usage in AWC's Western Group. (Ex. A-4 at 9.)

The chart shows that per customer sales in 2000 peaked at approximately 152,000 gallons, while per customer sales in 2012 dipped to approximately 125,000 gallons. (Ex. A-4 at 10.) While the chart shows peaks and dips throughout the period portrayed, no peak is higher than that for 2000, and no dip is lower than that for 2012. (*Id.*) The overall trend is downward, although the steepness of the decline would depend on the years analyzed. (*See id.*)

due to factors such as federal standards for water conserving appliances. (Id. at 11.)

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At hearing, Mr. Reiker provided two separate charts to illustrate declining residential and commercial usage for the Northern Group. (See Ex. A-6; Ex. A-16.) The first broke down monthly sales per customer, for both the Navajo and Verde Valley divisions, and for both the residential and commercial classes, between the TY and the first four months of 2013, with weather conditions also reflected using the Palmer Drought Severity Index ("PDSI"). 78 (Ex. A-6; Tr. at 48-49.) The first chart shows that when comparing the first four months of the TY to the first four months of 2013, the Northern Group experienced a cumulative decline in residential per customer usage of 8.36 percent, and of commercial per customer usage of 10.35 percent, although the PDSI showed hotter and drier conditions in 2013. (See Ex. A-6.) The chart also showed that the declines were greater in the Navajo division than in the Verde Valley division, across both customer classes. (See id.) The second chart provided the same type of data for the TY and calendar year 2012 and showed that when comparing the TY to 2012, the Northern Group experienced a cumulative decline in residential per customer usage of 0.66 percent and a cumulative decline in commercial per customer usage of 0.24 percent, again with the PDSI showing that the decline occurred in spite of hotter and drier conditions and again with the Navajo division showing the greater decline. (See Ex. A-16; Tr. at 224-28.) Mr. Reiker testified that based on the data for 2013 in the first chart, not only would AWC's Northern Group not over-recover as a result of the flat 5-percent declining usage adjustment, it would actually under-recover by \$409,000 in revenues, while only reducing costs by \$162,000. (Tr. at 53, 55.) Mr. Reiker also disputed RUCO's projected over-recovery figure of \$419,000 should usage flatten out rather than declining, stating that the actual amount of over-recovery, assuming no reduction in usage, would be \$383,000, and that this lower figure had been provided to Staff and RUCO. (Id. at 53-54.)

Mr. Reiker explained the PDSI as follows: "[P]ublished by the National Oceanic and Atmospheric Administration's National Climatic Data Center (U.S. Dept. of Commerce)[, t]he PDSI is used to assess the severity of dry or wet periods, and ranges from -6 to +6, with negative values denoting dry spells and positive values indicating wet spells." (Ex. A-4 at 9 n5.)

The PDSI for 10 of 12 months in 2012 was lower, with only January and August 2012 having higher PDSIs than the same months in the TY. (See Ex. A-16.) The second chart showed that the decline for residential per customer usage in the Navajo division was greater than in the Verde Valley division and that the Navajo division experienced a decline in commercial per customer usage of 6.25 percent while the Verde Valley division actually experienced an increase in commercial per customer usage of 1.32 percent. (See id.)

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Mr. Reiker also presented a schedule showing how the declining usage adjustment made to TY billing determinants to establish Settlement Agreement rates and charges impacted average residential customer bills, with the figures for 5/8" x 3/4" residential usage showing the following:<sup>80</sup>

Division/System	Usage (Gallons)	Current Bill	Bill per Settlement Agreement	Proposed Bill without Adjustment	Adjustment \$ Increase
Navajo	3,150	\$26.24	\$29.82	\$29.05	\$0.77
Verde Valley Pinewood/Rimrock	3,036	\$33.42	\$31.82	\$31.25	\$0.57
Verde Valley Sedona	8,751	\$43.97	\$52.13	\$50.52	\$1.61

Additionally, AWC provided a June 2012 AWWA peer-reviewed article concerning declining residential water usage in single-family homes.<sup>81</sup> (Ex. A-13; Tr. at 66-68.) The AWWA article analyzed end-use data from four different studies, dating from 1995 to 2011, and concluded that water use in single-family homes has declined since 1995 and is expected to continue to decline as the market is further saturated with high-efficiency fixtures and appliances such as low-flow toilets and high-efficiency washing machines, which the AWWA article found to cause greater reductions in end-use consumption than did other indoor categories. (Ex. A-13 at 1.) The AWWA article reported that indoor water use for a family of three decreased from 187 gallons per day per household ("gpd/H") in 1996 to 162 gpd/H in 2007 in a California single-family home study and were found to be 132 gpd/H in 2006 in a study conducted for the U.S. Environmental Protection Agency regarding new single-family homes. (Id.) The AWWA article also reported that 2002 and 2006 data showed that indoor water use in family homes retrofitted for water efficiency dropped to 117 gpd/H while family homes designed for water efficiency dropped to 107 gpd/H. (Id.) Mr. Reiker stated that AWC is not asking to have customers penalized for being more efficient with their usage, just to have customers pay for the cost of service, and he noted that the Settlement Agreement rate design provides "significant discounts" to residential customers with average and below-average usage, who will pay less than the cost of service. (Tr. at 134-36.)

Mr. Olea also addressed RUCO's criticism of the declining usage adjustment included in the Settlement Agreement, stating that Staff has been recommending, and the Commission has been

<sup>80</sup> See Ex. A-18; Tr. at 234-36.

William B. DeOreo et al, "Insights into Declining Single-Family Residential Water Demands," *Journal – American Water Works Association* (2012).

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approving, inclining block tiered rates for years, specifically to cause water conservation, which Staff believes this type of rate design promotes. (Ex. S-6 at 2.) Mr. Olea added that the BMPs required by ADWR, and the BMP tariffs approved by the Commission, have the same purpose—to promote efficient use of water. (*Id.*) Because of the inclining block tiered rate design and BMPs, Staff believes it highly likely that AWC's customers will use less water going forward than they used in the TY, and "[i]f this is not the case, then the Commission approved rate design along with the Commission approved and ADWR sanctioned BMPs will have been approved for naught." (*Id.*) Mr. Olea testified that Staff believes there is only a remote chance that per customer usage will remain the same or increase in the future and thus does not consider it appropriate to reduce AWC's ROE because of the customer use adjustment. (*Id.* at 3.)

Mr. Olea also addressed the Commission's prior concerns, expressed in the Phase 1 Decision of the Eastern Group Docket, about a declining usage adjustment not being known and measurable, explaining that this type of adjustment will never truly be known and measurable because it is not possible to predict the future with any certainty, but tiered rates and BMPs are working, and Staff believes it is time to acknowledge that. (See Tr. at 249-251, 260-61.) Mr. Olea stated that Staff is comfortable with the five-percent adjustment because of the expected declining usage that should result from BMPs and tiered rates as well as the literature he has read that consistently reports declining usage. (See Tr. at 249-51.) Mr. Olea also testified that after hearing some of Mr. Reiker's testimony regarding post-TY declines in usage, "Staff is even more comfortable now." (Tr. at 259-60.)

## C. <u>Cost of Equity</u>

Regarding RUCO's proposed 50-basis-point downward adjustment to cost of equity, Ms. Ahern stated that Mr. Rigsby provided no empirical evidence to support the adjustment or to establish that investors perceive a reduced risk as a result of DSIC-like mechanisms, particularly because the SIB surcharge is capped at five percent of the allowed cash flow. (Ex. A-5.at 7-8.) Ms. Ahern cited two recent studies concluding that "revenue volatility reduction mechanisms" such as decoupling mechanisms do not have a statistically significant impact on investor-perceived risk—one created by Ms. Ahern's organization, AUS Consultants, along with the Rutgers University School of Business,

Camden, <sup>82</sup> apparently after Ms. Ahern was retained by AWC, and the other by the Brattle Group <sup>83</sup>—and asserted that the SIB mechanism thus would also have no impact on risk. (*Id.* at 8-9; *see* Tr. at 156-58.) Ms. Ahern further provided a Moody's publication characterizing decoupling mechanisms and riders as "credit positive," although less stabilizing of key financial metrics that determine a company's credit rating than apparently expected. <sup>84</sup> (Ex. A-15 at 1-3, 7-8.) The Moody's publication acknowledged arguments for and against reducing a company's ROE when a decoupling-type mechanism is granted and asserted that if the impact on ROE is "punitive" and begins to affect the level of actual earned ROE and to degrade the level of cash flow operations and key financial metrics, Moody's would view that as a credit negative. (*Id.* at 6.) The significance of these publications, according to Ms. Ahern, is that if decoupling mechanisms, which have a greater effect on revenues, do not impact credit risk and do not impact common equity investors' perception of risk, then the SIB mechanism (and the declining usage adjustment) certainly would not. (Tr. at 165, 168-69, 184-85.)

Ms. Ahern testified that she is not aware of any jurisdiction in which an adjustment to ROE has been made to correspond to approval of a DSIC-type mechanism. (Tr. at 169.) Ms. Ahern also testified that the efficiency credit included in the SIB Agreement is the first such efficiency credit that she has seen, and she believes that it would benefit ratepayers because they will be paying a lower ROE on SIB-related investments, approximately 100 basis points lower, which she said is a "big deduct." (Tr. at 171.)

Moody's Investors Service, "Special Comment: Decoupling and 21st Century Rate Making" (November 4, 2011).

Pauline M. Ahern et al., "Decoupling: Impact on the Risk and Cost of Common Equity of Public Utility Stocks," presented to the Society of Utility Regulatory & Financial Analysts' 45<sup>th</sup> Financial Forum, April 18, 2013. This study was admitted as Exhibit A-5 at ex. PMA-18. In the study, Ms. Ahern and her co-authors used two different methods to analyze pre- and post-decoupling risk for eight electric and combination electric/gas companies with at least 95 percent decoupled revenues and determined that although post-decoupling systematic risk was lower, the amount of the decrease was not statistically significant, and the impact of decoupling on stock returns, risk, and cost of capital can neither be isolated nor measured because of the myriad risk drivers impacting investment risk. (Ex. A-5 at ex. PMA-18.)

Michael J. Vilbert, Ph.D., "An Empirical Study of Impact of Decoupling on Cost of Capital," presented to the Society of Utility Regulatory & Financial Analysts' 45<sup>th</sup> Financial Forum, April 18, 2013. This study was admitted as Exhibit A-5 at ex. PMA-19. In the study, Dr. Vilbert analyzed cost of capital estimates prepared by Brattle for 12 separate natural gas local distribution holding companies (with 46 subsidiaries) on 26 separate dates for rate case proceedings between October 2005 and May 2012, concluding that there was no statistically significant reduction in cost of capital. (Ex. A-5 at ex. PMA-19.) Rather, Dr. Vilbert reported the "counter intuitive" result that decoupling was associated with a statistically significant higher cost of capital, although the results are provisional, and explanations for them continue to be sought. (Id.) Dr. Vilbert added that "whatever effect decoupling may have, it is reflected in the sample companies." (Id.)

Mr. Reiker testified that he is unaware of any time in the past 14 years when the Commission has increased a utility's rate of return to make up for eliminating an adjuster mechanism, although he believes eliminating an adjuster mechanism increases the negative effects of regulatory lag on a utility. (Ex. A-4 at 5.) Mr. Reiker characterized RUCO's position as "suggesting... that shareholders... continue as they have done over the past 16 years to provide subsidized service." (Tr. at 136-37.) Mr. Reiker also asserted that Arizona Public Service Company ("APS") paid \$170 million in dividends to its parent company in the same year it applied to the Commission for an emergency rate increase<sup>85</sup> and, further, that APS has paid out more than \$1.3 billion in dividends since that time. (*Id.*) Mr. Reiker testified that "dividends are the lifeblood of equity investment in a public utility... [a]nd they are at the heart of the regulatory compact between this company and its regulator." (*Id.* at 137.)

Ms. Ahern also disagreed with RUCO's position that the cost of common equity should be lowered because the declining usage adjustment shifts risk from AWC to its customers, stating that no such risk shift occurs and that no reduction to the cost of common equity is warranted. (Ex. A-5 at 10.) Ms. Ahern agreed with Mr. Reiker's assertions that the declining usage adjustment is no different than any other pro forma adjustment to TY results intended to reflect conditions of service expected to exist when the new rates are in effect. (*Id.*)

Mr. Olea also disagreed with Mr. Rigsby's assertion that AWC's ROE should be lowered below 10.0 percent if the Commission grants the SIB mechanism and the declining usage adjustment, stating that the efficiency credit built into the SIB accounts for any adjustment necessary to address that and confirming that Staff believes the 10.0 percent ROE in the Settlement Agreement is proper even with the SIB. (Ex. S-6 at 3; Tr. at 248.) Mr. Olea testified that a primary reason Staff disagreed with SIB-type mechanisms in the past was because they provided no monetary benefit to ratepayers, only rate gradualism. (Ex. S-6 at 3.) Staff considers the five-percent efficiency credit to be a monetary benefit to ratepayers that has not been included in any previous proposals and to be a more direct (and less contentious) way of providing a monetary benefit to ratepayers than reducing AWC's

Mr. Reiker did not mention that Decision No. 68685 (May 5, 2006), of which we take official notice, denied APS's request for an emergency interim rate increase, although it allowed for an existing Power Supply Adjustor mechanism to be modified on an interim basis pending completion of a general rate case.

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## ROE would be. (Id.) Staff does not believe that it would be appropriate to require both an efficiency credit and a lower ROE. (Id.) In deciding whether to enter into the Settlement Agreement, Staff took into consideration whether the 10.0 percent ROE was the right ROE to have with the SIB, and Staff determined that it was. (Tr. at 255-57.) Mr. Olea explained that Staff has consistently said that ratepayers needed to be provided a monetary benefit with any SIB and that the benefit could be provided either by lowering the overall ROE or by providing an efficiency credit. (Tr. at 262.) Staff prefers the efficiency credit, which basically lowers the ROE for SIB plant, 86 because it is "a more direct application of the effect on the ROE." (Id.)

#### VIII. Miscellaneous

AWC currently has in effect a MAP tariff that expressly covers the following Northern Group "Valley Vista (Sedona), Pinewood, Rimrock, Overgaard, Lakeside, Pinetop Lakes systems: (Lakeside)." (Ex. A-17; see Tr. at 231-33.) The purpose of the MAP tariff is "to recover the annual change in testing and noticing costs resulting from compliance with the MAP over a twelve-month period through a separately stated fee on each customer's monthly bill." (Ex. A-17.) Participation in the MAP is mandatory for PWSs with customer counts below an ADEQ-specified threshold. (Tr. at 231.) Although continuation of the MAP tariff is not addressed in the Settlement Agreement, AWC and Staff agree that the MAP tariff should remain in effect. (Tr. at 232-33, 252-53.) RUCO also agrees that the MAP tariff should remain in effect. (Tr. at 395.)

Staff's engineering witness recommended that if any further consolidation of AWC's water systems was approved in this case for the purpose of ratemaking and accounting, AWC be required to continue reporting on its water use and plant description data separately, by individual ADEO PWS, in future Annual Reports and rate filings. (Ex. S-4 at ex. KS at ii.) We have previously required AWC to report such information separately for each PWS, and this requirement remains in effect. (See Decision No. 71845 at 93.)

As previously discussed, Staff recommended that AWC's customer bills include, for each approved tariff charge billed to a customer, a separate line item clearly identifying the charge by

Ms. Ahern testified that the five-percent efficiency credit would result in a 100-basis point reduction on the ROE for SIB plant. (Tr. at 171, 187-88.)

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# name and setting forth the dollar amount of the charge. (Ex. S-1 at ii.) Staff further recommended that AWC bill per its approved tariffs and in units of 1,000 gallons for all water systems. (Id.)

#### IX. Resolution

 As is acknowledged in the Settlement Agreement, the Commission is not bound by the terms of the Settlement Agreement and must independently consider and evaluate the terms of the Settlement Agreement to determine whether they are in the public interest. (See Ex. A-1 at 5-6, §§ 8.3, 8.8.) In this case, that also requires consideration of the modified SIB Agreement approved in Phase 2 of the Eastern Group Docket, which is essentially incorporated into the Settlement Agreement for this case, as well as consideration of all of the arguments made in favor of and in opposition to both the Settlement Agreement and the SIB Agreement.

AWC, Staff, and RUCO have reached agreement as to most of the issues in this matter. Specifically, the parties no longer dispute the Northern Group's FVRB; its adjusted TY operating income; and whether the Northern Group should be authorized to implement an OSFF Tariff for the Verde Valley division, to implement an ACRM Tariff for the entire Northern Group, or to defer the costs of implementing additional BMPs required by Decision No. 71845 for consideration in a future rate case. Additionally, the parties have agreed that the MAP Tariff should continue in effect; the Commission has previously ordered AWC to provide PWS-specific information in its annual reports and rate applications; and AWC and Staff have been working toward realization of Staff's specific bill formatting recommendations. It is reasonable and appropriate for these to continue.

Because the Commission concurs with the parties as to the resolution of these undisputed issues and will decide these issues accordingly, there is no need to discuss them further, except to clarify that the ACRM for the Northern Group shall conform to the requirements established in Decision No. 66400 (October 14, 2003) and shall require AWC to file a new application for each step of the ACRM surcharge consistent with the process outlined in Decision No. 66400.

Although RUCO chose not to enter into the Settlement Agreement, RUCO agrees that the discussions that led to the Settlement Agreement were conducted in an open and transparent manner, with all of the parties invited to participate on an equal basis and participating fully. (Ex. R-5 at 3-4; Tr. at 350-51.) Mr. Rigsby also stated that "[t]he Settlement Agreement has some good points in

RUCO's view." (Ex. R-5 at 4; Tr. at 351-52.) RUCO's disagreements with the Settlement Agreement concern only a few issues, but they are among the most significant and difficult policy issues that the Commission has recently faced in a water utility rate case—namely, whether to approve a SIB mechanism; whether to approve a declining usage adjustment made to TY billing determinants in establishing rate design; and whether to decrease a utility's ROE if the Commission is approving either a SIB mechanism or a declining usage adjustment and, if so, to what extent. Although each case before the Commission must be evaluated and decided on its own merits, we are mindful of the Commission's very recent consideration and resolution of these issues in Phase 2 of the Eastern Group Docket.<sup>87</sup>

In Decision No. 73938, the Commission made the following Findings of Fact related to the SIB Agreement and the SIB mechanism embodied therein:

- 15. The Settlement provides, among other things for: Commission pre-approval of SIB-eligible projects; SIB project eligibility criteria; a limit on SIB surcharge recovery to the pre-tax rate of return and depreciation expense associated with SIB-eligible projects; an "efficiency credit" of five percent; a cap on the SIB surcharge of five percent of the Phase 1 revenue requirement; separate line items on customer bills reflecting the SIB surcharge and the efficiency credit; Commission approval of the SIB surcharge prior to implementation and adjustments; a limit of five SIB surcharge filings between general rate cases; an annual true-up of the SIB surcharge; and notice to customers at least 30 days prior to SIB surcharge adjustments.
- 16. The SIB mechanism "is a ratemaking device designed to provide for the timely recovery of the capital costs (depreciation expense and pre-tax return on investment) associated with distribution system improvement projects meeting the requirements contained herein and that have been completed and placed in service and where costs have not been included for recovery in Decision No. 73736." (Ex.A-1, ¶2.3.)
- 17. Cost recovery under the SIB mechanism is allowed for the pre-tax return on investment and depreciation expense for projects meeting the SIB-eligible criteria and for depreciation expense associated with those projects, net of associated plant retirements. The rate of return, depreciation rates, gross revenue conversion factor and tax multiplier are to be the same as those approved in Phase 1 by Decision No. 73736.
- 18. The SIB surcharge will include an "Efficiency Credit" equal to five percent of the SIB revenue requirement.

It is a well-settled principle of administrative law that when an agency deviates from its prior policies or decisions, it must provide a reasoned explanation for doing so. (See, e.g., Secretary of Agriculture v. United States, 347 U.S. 645 (1954).)

- 19. The Agreement caps the amount that is permitted to be collected annually by each SIB surcharge filing to five percent of the revenue requirement authorized in Decision No. 73736.
- 20. The SIB surcharge will be applicable only for plant replacement investments to provide adequate and reliable service to existing customers and that "are not designed to serve or promote customer growth."
- 21. Under the Settlement, AWC: may file up to five SIB surcharge requests between rate case decisions; may make no more than one SIB surcharge filing every 12 months; may not make its initial SIB surcharge filing for the Eastern Group prior to 12 months following the effective date of Decision No. 73736 (i.e., February 20, 2014); must make an annual SIB surcharge filing to true-up its surcharge collections; and must file a rate case application for its Eastern Group no later than August 31, 2016, with a test year ending no later than December 31, 2015, at which time any SIB surcharges then in effect would be included in base rates in that proceeding and the surcharge would be reset to zero.
- 22. The SIB surcharge will be a fixed monthly charge on customers' bills, with the surcharge and the efficiency credit listed as separate line items. The surcharge will increase proportionately based on customer meter size.
- 23. Each SIB surcharge filing must be approved by the Commission prior to implementation. Upon filing of the SIB surcharge application, Staff and RUCO would have 30 days to review the filing and dispute and/or file a request for the Commission to alter the surcharge or true-up surcharge/credit. Although AWC is also required to provide a proposed order with each SIB filing for the Commission's consideration, and if no objection is filed to the SIB surcharge request the request shall be placed on an Open Meeting agenda at the earliest practicable date, in order to protect the public interest we believe that Staff should prepare its own Staff Report and Proposed Order for the Commission's consideration.
- 24. At least 30 days prior to a SIB surcharge becoming effective AWC is required to provide public notice to customers in the form of a bill insert or customer letter. The notice must include: the individual surcharge amount by meter size; the individual efficiency credit by meter size; the individual true-up surcharge/credit by meter size; and a summary of the projects included in the current surcharge filing, including a description of each project and its cost.
- 25. The Settlement Agreement, with the modifications discussed above regarding financial information filing requirements, represents a reasonable compromise of contested issues, is in accord with Arizona law and, as a whole, is consistent with the public interest.<sup>88</sup>

Although RUCO attempted to convince the Commission that approval of the SIB Agreement in Decision No. 73938 was not in the public interest, did not result in the adoption of just and reasonable rates and charges, and was unconstitutional and thus unlawful, the Commission determined the issue contrary to RUCO's position. RUCO has not brought forth any new information

<sup>&</sup>lt;sup>88</sup> Decision No. 73938 (June 27, 2013) at 57-59.

or put forth any new arguments in this case to cause the Commission to reverse its decision on the SIB mechanism. The Commission has determined that the SIB Agreement and the SIB mechanism created thereby, as modified with the additional protections adopted in Decision No. 73938, are consistent with the Commission's legal authority and will result in rates and charges that are just and reasonable.

Additionally, the Commission believes that it is reasonable and appropriate to make the following minor modifications and clarifications to the SIB Agreement as adopted herein, which are intended to clarify the language and requirements of the SIB Agreement consistent with the testimony herein and are not intended to alter any material term of either the SIB Agreement or the Settlement Agreement:

- References to the Eastern Group and its individual systems, to the Eastern Group Docket, and to Decision No. 73736 are understood to be replaced, respectively, with references to the Northern Group and its divisions/systems as applicable, to this Docket, and to this Decision;
- §§ 11.0 through 12.9 of the SIB Agreement are deleted as inapplicable;
- Exhibits D and F to the SIB Agreement, which were replaced in Decision No. 73938,
   are likewise replaced in this matter, with the new Exhibits D and F attached hereto as Exhibit C;
- § 4.6 is understood to require AWC to file the next general rate case for its Northern Group no later than August 31, 2017, with a TY ending no later than December 31, 2016;
- § 4.7 is understood to mean that the Commission will, in each subsequent general rate
  case when a SIB mechanism has been in effect, examine how the SIB mechanism has
  operated and whether it is just and reasonable and in the public interest to authorize
  the SIB mechanism to continue going forward when newly authorized rates take
  effect;
- § 4.8 is understood to require a report to be filed every six months after the effective date of the decision in which the SIB mechanism was first approved for the relevant

company/group/division/system (e.g., six months after this Decision, for the Northern Group);

- § 4.9 is understood to require the first annual SIB surcharge true-up filing to be made within 60 days after the one-year anniversary of the effective date of the SIB surcharge first approved for the Northern Group pursuant to this Decision and to require each subsequent annual SIB surcharge true-up filing to be made at 12-month intervals thereafter;
- § 6.2 is understood to establish that plant is only eligible for SIB recovery if the plant
  is replacement plant that will not create a new revenue stream (depreciation expense
  for plant replacing fully depreciated plant is not considered to be a new revenue
  stream);
- § 6.3 is understood to include a requirement that eligibility for SIB recovery and satisfaction of the listed criteria are ultimately determined by the Commission;
- § 6.4 is understood to mean that only plant falling within these categories is eligible for SIB treatment;
- §§ 6.5 and 9.4 are understood, consistent with Decision No. 73938, to require Staff to prepare and file a Staff Report for each SIB surcharge filing and:
  - If there is no objection to the SIB surcharge filing from Staff or another person,
     to prepare and file a Proposed Order for Commission consideration at an Open
     Meeting; and
  - If there is an objection to the SIB surcharge filing from Staff or another person,
     to include in the Staff Report a recommendation for the process going
     forward, which may include a recommendation for a hearing;
- §§ 7.1 and 7.2 are understood to require AWC to provide the required public notice to
  its customers, in a format and with content approved by the Commission or the
  Commission's Utilities Division, before AWC files its SIB surcharge filing and to
  file, as part of its SIB surcharge filing, an attestation that such notice to its customers
  has been provided; and

which may include (but is not limited to) any objection, comments, or information filed by Staff, RUCO, or another interested person, and any information required by or in the possession of the Commission related to a public service corporation's operations or financial condition—when determining whether it is reasonable and appropriate to schedule a SIB filing for consideration at an Open Meeting; to grant SIB eligibility for any plant; to authorize a company to implement a SIB mechanism or surcharge; to approve any modification of a SIB mechanism, true-up, or surcharge; or to take any other action related to a SIB mechanism or SIB surcharge.

While the Commission has received no new information in this case causing it to reverse position on approval of the SIB Agreement, the Commission has received additional information regarding another policy issue considered in the Eastern Group rate case. In Decision No. 73736, when denying a declining usage adjustment proposed by AWC for its Eastern Group, the Commission stated the following:

AWC has performed an elaborate statistical analysis of actual Eastern Group data to support its request for a downward adjustment in its billing determinants. AWC is effectively requesting to have its rates set based on the assumption that its TY commodity sales (gallons sold) were lower than they actually were, because AWC believes that its commodity sales are declining with time and expects that decline to continue. . . .

Because AWC chose to make its adjustments to billing determinants rather than through revenues and expenses, we cannot be confident that the appropriate associated reductions to future operating costs . . . have also been made. AWC's adjustment methodology also makes it difficult to identify the projected annual impact of the normalization adjustments (as opposed to the impact of the proposed changes in rate design), although it appears that the normalization adjustment would impact annual revenue in an amount between \$155,438.91 and \$446,738.55 at AWC's proposed rates.

It is possible that, with more complete and transparent information as to the normalization adjustment methodology and its impacts, the Commission might find such an adjustment to be appropriate in the future. The Commission understands that a consistent pattern of declining usage, and the diminished revenues that follow, could jeopardize AWC's ability to recover its cost of service, which is contrary to the best interests of AWC, AWC's customers, and the Commission. However, the Commission will not approve such an adjustment without first being confident that the changes in usage are known and measurable, that any corresponding changes in costs have been factored into the normalization calculation so as to avoid mismatches and over-recovery, and that the

Decision No. 73736 (February 20, 2013) at 70-71 (footnotes omitted).
 Tr. at 295.

Commission is aware of the actual impacts of the adjustment on proposed rates.

Based upon the evidence presented, and the preceding discussion, we deny AWC's requested downward adjustment of its TY billing determinants.<sup>89</sup>

In this matter, AWC initially proposed downward usage adjustments made to revenues and certain expenses rather than to billing determinants. Mr. Reiker provided a statistical analysis of AWC data to demonstrate declining usage over a number of years and further quantified the proposed adjustments to revenues and expenses monetarily to make their impact more clear. In the presettlement direct testimony phase of this matter, AWC's downward usage adjustment was again rejected by both Staff and RUCO as overly speculative, *i.e.*, not known and measurable.

In the Settlement Agreement, AWC and Staff have agreed upon a different adjustment, an adjustment made to AWC's TY billing determinants to reflect a five-percent decrease in consumption, the same type of adjustment that the Commission recently rejected for the Eastern Group. Staff is now advocating for approval of this declining usage adjustment, which represents a sea change in Staff's position regarding such adjustments. To explain this transformation, Mr. Olea testified:

[T]his case . . . gave me a chance to look at everything and say, you know, I think it is time that we look at what is really happening out there. And what is really happening is there [are] water use declines having to do with more efficient water use caused by not only the tiered rates but also the BMPs. 90

Mr. Olea explained that he came to this realization based upon the combination of what he has seen, what he has read (consistently reporting declining usage), and the fact that the Commission is now requiring both tiered rates and BMPs. (See Tr. at 295.) As Mr. Olea pointed out, conservation (aka declining usage) has been the goal of policy initiatives adopted by the Commission and ADWR—notably the adoption of inverted block tiered rate designs and of BMP requirements. Mr. Olea reasoned that if the Commission knows that the conservation initiatives are working, and are going to continue working, then some adjustment must be made for the declining usage that results. (Tr. at 249-51.) Additionally, Mr. Olea asserted, this type of adjustment will never be known and

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RUCO Br. at 25.

measurable because no one can accurately predict the future. (Tr. at 249-51.) Per Mr. Olea, the risk that water use per customer will remain the same or increase in the future is "very small." (Id. at 295-96.)

RUCO has argued that the Commission cannot change its position from one previously held, stating that to do so "could affect the integrity of the Commission's decisions going forward" and asking "why . . . anyone [would] have any faith in a Commission decision if the Commission does not require compliance with its own judgment."91

The Commission must consider each case on its own merits, must consider all of the evidence presented, and must determine what will serve the public interest and result in just and reasonable rates. If credible evidence is provided that causes the Commission to reconsider a prior decision, even if that decision is recent, it is the Commission's duty to consider it.

In this case, AWC and Staff agree upon a declining usage adjustment very similar to one recently denied for the Eastern Group. AWC has provided evidence that declining usage is occurring in the Northern Group and in the country as a whole, and Staff has testified that declining usage is occurring and is likely to continue. This evidence is credible. However, it is certain that neither the parties to this case nor the Commission can tell the future. It could be that the reductions in consumption seen thus far result from the proverbial "low-hanging fruit" and will soon be exhausted, causing the plateau that RUCO anticipates. No one, including the Commission, can be certain that a five-percent reduction in usage will occur (i.e., that a five-percent reduction in TY billing determinants is known and measurable). We note the relatively minimal impact that the declining usage adjustment agreed upon in the Settlement Agreement would have on the monthly bill for a residential customer with average usage in each of the Northern Group's divisions. We also note that settlement of this rate case would benefit the Northern Group's customers, Staff, the Commission, and RUCO because it represents a more efficient use of resources than does a fully litigated rate case. While AWC's and Staff's arguments in favor of the declining usage adjustment, standing alone in a fully litigated case, might result in a different resolution, in this case, in the context of the Settlement Agreement, considering the totality of the circumstances, we find that the declining usage adjustment

is reasonable. However, we will require AWC, in its next Northern Group rate case application, to provide, for each customer class and each division, data regarding monthly per-customer usage from the effective date of this Decision through the end of the test year for that rate case. We will also require Staff to scrutinize that data, to compare the declining usage experienced with the declining usage adjustment granted herein, to determine whether a declining usage adjustment is warranted going forward, and to provide testimony and recommendations accordingly.

The final contested issue in this case is whether the ROE for the Northern Group should be decreased if the SIB mechanism is approved and/or the declining usage adjustment is approved. The Commission is approving both of them in this matter. Decision No. 73938 resolved the issue related to the SIB and cost of equity. The ROE included in the Settlement Agreement is the same ROE recently approved for the Western Group and is 55 basis points lower than the ROE more recently approved for the Eastern Group. We believe that the 10.0 percent ROE for the Northern Group is just and reasonable and in the public interest, and we are not persuaded that the ROE needs to be decreased below 10.0 percent in this case because of either the SIB or the declining usage adjustment.

Based upon all of the evidence presented in this case, and in light of the foregoing discussion, we determine that adoption of the Settlement Agreement entered into by AWC and Staff in this matter, which is attached hereto as Exhibit B, with the modifications described herein, is in the public interest and will result in rates and charges and conditions of service for the Northern Group that are just and reasonable and in the public interest.

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

#### FINDINGS OF FACT

- 1. AWC is an Arizona corporation and Class A water utility providing service as a public service corporation pursuant to authority granted by the Commission.
- 2. On August 1, 2012, AWC filed with the Commission a permanent rate application for its Northern Group systems, using a 2011 TY and requesting a permanent rate increase; rates established using a pro forma declining usage adjustment; and authorization to extend its existing

system, and to continue AWC's MAP surcharge. At the time AWC filed its rate application in this docket, AWC had a separate rate application pending in the Eastern Group Docket.

3. On August 30, 2012, Staff issued a Sufficiency Letter for AWC's rate application, classifying AWC as a Class A utility.

ACRM to the entire Northern Group, to complete consolidation of the Sedona system's rates with

those of the other Verde Valley systems, to implement a DSIC, to implement an OSFF for the Sedona

- 4. On September 12, 2012, RUCO filed an Application to Intervene, which was granted without objection at a procedural conference held on September 18, 2012.
- 5. On September 19, 2012, a Procedural Order was issued scheduling the hearing in this matter to commence on May 13, 2013, and establishing other procedural requirements and dates. Additional hearing dates were scheduled by a Procedural Order issued on February 13, 2013.
- 6. Public notice of this matter was mailed to AWC's customers as a billing insert beginning with the October 12, 2012, billing cycle and ending on November 13, 2012, and was published in the *Arizona Daily Sun*, the *Verde Independent*, the *White Mountain Independent*, and the *Sedona Red Rock News* on October 12, 14, 16, and 17, 2012, respectively.
- 7. On February 21, 2013, Staff filed an unopposed Request for Modification to the Procedural Schedule, requesting a one-week extension of the deadline for Staff and RUCO to file direct testimony on revenue requirements and cost of capital and a one-week extension of the deadline for AWC to file rebuttal testimony. Staff's Request was granted by a Procedural Order issued on February 22, 2013.
- 8. On March 13, 2013, Staff filed Notice of Settlement Discussions, stating that the parties might enter into settlement discussions on or after March 19, 2013.
- 9. On March 19, 2013, AWC, Staff, and RUCO met and engaged in settlement discussions.
- 10. On April 4, 2013, AWC filed the Parties' Request for Modification of Procedural Schedule, stating that certain parties had reached a conceptual settlement but needed additional time to complete and file a settlement agreement and requesting a one-week extension to the deadline to file a settlement agreement and to file testimony supporting or opposing the settlement agreement.

 AWC further requested that a date be set for the filing of responsive testimony and that the existing dates for rebuttal testimony and surrebuttal testimony be suspended. The procedural schedule was revised consistent with the Parties' Request via a Procedural Order issued on April 8, 2013.

- 11. On April 12, 2013, AWC filed Notice of Status of Settlement Agreement, stating that the agreement had not yet been executed in final form and that another update would be filed on April 15, 2013, if the agreement would not be filed that day.
- 12. On April 15, 2013, Staff filed a Settlement Agreement executed by Staff and AWC, but not RUCO. The Settlement Agreement provided, *inter alia*, that the terms of the SIB Settlement, as ultimately approved by the Commission in Phase 2 of the Eastern Group Docket, would apply to AWC's Northern Group systems.
- 13. On April 15, 2013, RUCO filed a Motion to Extend Filing Dates, requesting that the filing dates for testimony supporting or opposing the Settlement Agreement and for responsive testimony each be extended by one week.
- 14. On April 17, 2013, AWC and Staff filed responses to the RUCO Motion, with AWC opposing an extension longer than one business day and requesting that the pre-hearing conference be set for an earlier date, and Staff taking no position on an extension and not objecting to an earlier pre-hearing conference date.
- 15. On April 18, 2013, a Procedural Order was issued extending the filing dates for testimony concerning the Settlement Agreement, requiring that responsive testimony be filed by the parties, and moving the pre-hearing conference to May 8, 2013.
- 16. On April 26 and May 3, 2013, respectively, the parties filed initial testimony and responsive testimony concerning the Settlement Agreement.
- 17. On May 6, 2013, RUCO filed a Motion to Incorporate the Record and a Notice of Errata, requesting that the "record of the recent hearings" in the Eastern Group Docket be incorporated into the record in this matter.
- 18. On May 8, 2013, the pre-hearing conference in this matter was held, with all parties appearing through counsel, and it was determined that the entire Phase 2 record from the Eastern Group Docket, and that portion of the Phase 1 record pertaining to AWC's requested DSIC, would be

incorporated into the record for this matter.

- 19. On May 13 and 14, 2013, a full evidentiary hearing was held before a duly authorized Administrative Law Judge of the Commission at the Commission's offices in Phoenix, Arizona. Testimony and exhibits were provided by each party. No members of the public attended to provide public comment.
- 20. On May 23, 2013, RUCO filed a late-filed exhibit stating that it had been unable to craft language to resolve RUCO's legal issues with the SIB.
- 21. On June 18, 2013, the parties filed their briefs. Staff filed corrections to its brief the following day.
- 22. Between October 23, 2012, and May 21, 2013, 14 comments were filed opposing AWC's application, one comment was filed providing rate design suggestions, and one comment was filed supporting the Commission's recent decision to approve a SIB mechanism in the Eastern Group Docket.
- 23. Based on our consideration of the complete evidentiary record for this matter, we find that approval of the Settlement Agreement, attached hereto as Exhibit B, with the clarifications and minor modifications set forth in the Resolution portion of our Discussion Section herein, is in the public interest and will result in the establishment of just and reasonable rates and charges and conditions of service for the Northern Group.
- 24. We find that the Northern Group has the following capital structure and weighted average cost of capital:

	Weight	<u>Cost</u>	Weighted Avg. Cost
Common Equity:	51.1%	10.0%	5.11%
Debt:	48.9%	6.82%	<u>3.33%</u>
Weighted Avg. Cost of Capital:			8.44%

25. We find the following to be just and reasonable and in the public interest for purposes of setting rates for the Navajo division (including the fully consolidated Lakeside and Overgaard systems):

DECISION NO.

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2	TY Operating Revenues:	\$3,663,832
	TY Operating Expenses:	\$3,188,861
3	TY Operating Income:	\$474,971
4	OCRB/FVRB:	\$10,060,534
	TY Rate of Return:	4.72%
5	Required Operating Income:	\$849,610
6	Operating Income Deficiency:	\$374,639
١	Gross Revenue Conversion Factor	1.6510
7	Required Revenue Increase:	\$618,535
	Required Revenue Increase %:	16.9%
8	Required Operating Revenues:	\$4,282,366
9	Required Rate of Return:	8.44%
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- 26. We find that it is in the public interest to have AWC complete the consolidation of the Sedona system into the Verde Valley division and to have AWC discontinue the collection of its currently authorized ACRM surcharges for the Sedona system upon the effective date of the rates and charges established in this Decision.
- 27. We find the following, which assumes discontinuance of the ACRM surcharge revenues for the Verde Valley division's Sedona system, to be just and reasonable and in the public interest for purposes of setting rates for the Verde Valley division (including the fully consolidated Sedona, Pinewood, and Rimrock systems):

TY Operating Revenues:		\$6,592,779
TY Operating Expenses:		\$5,383,356
TY Operating Income:	e de espera	\$1,209,423
OCRB/FVRB:		\$25,984,762
TY Rate of Return:		4.65%
Required Operating Income:		\$2,194,408
Operating Income Deficiency:		\$984,985
Gross Revenue Conversion Factor		1.6465
Required Revenue Increase:		\$1,621,794
Required Revenue Increase %:		24.6%
Required Operating Revenues:		\$8,214,573
Required Rate of Return:		8.44%

28. We find that the rates and charges set forth in Schedule H-3 to Exhibit B would have the following impact on average 5/8" x 3/4" customer bills:

DECISION NO.

**Settlement Agreement Rate Design** 

Division/System	Usage (Gallons)	Current Bill	Settlement Bill	Dollar Change	Percent Change
Navajo	3,150	\$26.24	\$29.82	\$3.58	13.64%
	7,500	\$48.57	\$53.40	\$4.84	9.96%
Verde Valley (Pinewood, Rimrock)	3,036	\$33.42	\$31.82	(\$1.60)	(4.78%)
	7,500	\$52.33	\$47.68	(\$4.65)	(8.89%)
Verde Valley (Sedona)	8,751	\$43.97*	\$52.13	\$8.15	18.54%
	7,500	\$41.23*	\$47.68	\$6.45	15.63%

<sup>\*</sup>The current bill amounts for the Verde Valley Division's Sedona system include the current ACRM surcharges being paid by customers.

- 29. We find that the rates and charges set forth in Schedule H-3 to Exhibit B are just and reasonable and in the public interest.
- 30. We find that it is just and reasonable and in the public interest to allow AWC to implement the OSFF Tariff set forth as an attachment to the Settlement Agreement, which OSFF Tariff shall be applicable to the Verde Valley's Sedona system and, specifically, to the Valley Vista and Sedona public water systems.
- 31. We find that it is just and reasonable and in the public interest to allow AWC to implement an ACRM Tariff for the Northern Group divisions/systems, with the proviso that the ACRM shall conform to the requirements established in Decision No. 66400 (October 14, 2003) and shall require AWC to file a new application for each step of the ACRM surcharge consistent with the process outlined in Decision No. 66400.
- 32. We find that it is just and reasonable and in the public interest to allow AWC's MAP Tariff to remain in effect for the Northern Group divisions/systems.
- 33. We find that it is just and reasonable and in the public interest to authorize AWC to defer, for consideration of recovery in a future general rate case, the costs of implementing and performing the additional BMPs required by Decision No. 71845 for the Northern Group divisions/systems and, further, that AWC should record such deferral of costs.
- 34. We find that it is just and reasonable and in the public interest to make the clarifying modifications to the SIB Agreement set forth in the Resolution portion of the Discussion Section of this Decision and to approve the application of the SIB Agreement, with those clarifying modifications, to the Northern Group's divisions/systems.

35. We find that it is just and reasonable and in the public interest to make the Northern Group divisions/systems subject to any additional modifications to the SIB mechanism and SIB Agreement that may be made by the Commission in the Eastern Group Docket as a result of any rehearing of Decision No. 73938 or that may be made by any court of law with jurisdiction as a result of any appeal of Decision No. 73938 that may be taken.

- 36. We find that it is just and reasonable and in the public interest to require AWC, in its next Northern Group rate case application, to provide, for each customer class and each division, data regarding monthly per-customer usage from the effective date of this Decision to the end of the test year for that rate case. Additionally, we find that in the next Northern Group rate case, Staff must scrutinize that data, compare the declining usage experienced with the declining usage adjustment granted herein, determine whether a declining usage adjustment is warranted going forward, and provide testimony and recommendations accordingly.
- 37. Decision No. 71845 required AWC, in future annual reports and rate filings, to continue reporting information (including but not limited to water use and plant description data) separately for each of its public water systems, as defined by ADEQ. We find that this requirement remains in effect.
- 38. We find that it is just and reasonable and in the public interest to require AWC to ensure that its customer bills include, for each approved tariff charge billed to a customer, a separate line item clearly identifying the charge by name and setting forth the dollar amount of the charge; that all rates and charges for water service are billed in accordance with AWC's approved tariffs; and that all commodity usage is expressed and all associated commodity charges are assessed for units of 1,000 gallons.

### **CONCLUSIONS OF LAW**

- 1. AWC is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250, 40-251, and 40-367.
  - 2. The Commission has jurisdiction over AWC and the subject matter of its Application.
  - 3. Notice of the Application was provided in accordance with the law.
  - 4. Adoption of the Settlement Agreement, and the underlying SIB Agreement, as

discussed and modified herein, is just and reasonable and in the public interest.

- 5. It is just and reasonable and in the public interest to modify the Settlement Agreement, and the underlying SIB Agreement, as described in the Resolution portion of the Discussion Section of this Decision.
- 6. The fair value rate bases of AWC's Navajo division and Verde Valley division are as set forth in Findings of Fact Nos. 25 and 27.
- 7. We find that the requirements, authorizations, and approvals described in Findings of Fact Nos. 23, 26, 29 through 34, and 36 through 38 are just and reasonable and in the public interest.
- 8. The rates, charges, and conditions of service established herein are just and reasonable and in the public interest.

# **ORDER**

IT IS THEREFORE ORDERED that the Settlement Agreement filed in this Docket on April 15, 2013, and attached to this Decision as Exhibit B, is hereby adopted with the clarifications and modifications discussed herein.

IT IS FURTHER ORDERED that Arizona Water Company is hereby directed to file with the Commission, on or before September 30, 2013, revised schedules of the rates and charges for its Northern Group divisions consistent with Exhibit B and the findings herein.

IT IS FURTHER ORDERED that the rates and charges and conditions of service adopted herein shall be effective for all services rendered on and after October 1, 2013.

IT IS FURTHER ORDERED that Arizona Water Company shall notify its affected customers of the revised schedules of rates and charges authorized herein by means of an insert in its next regularly scheduled billing, and by posting a notice on its website, in a form acceptable to the Commission's Utilities Division Staff.

IT IS FURTHER ORDERED that Arizona Water Company shall implement and comply with the terms of the Settlement Agreement as discussed and adopted herein and that any failure to comply with the Settlement Agreement adopted herein shall be deemed a failure to comply with this Decision.

IT IS FURTHER ORDERED that Arizona Water Company's MAP Tariff shall remain in

effect for its Northern Group divisions/systems.

IT IS FURTHER ORDERED that the System Improvement Benefits mechanism approved herein by reference for the Northern Group divisions/systems is subject to additional modifications that may be made by the Commission in the Eastern Group Docket as a result of any rehearing of Decision No. 73938 or that may be made by any court of law with jurisdiction as a result of any appeal of Decision No. 73938 that may be taken.

IT IS FURTHER ORDERED that Arizona Water Company shall, in its next Northern Group rate case application, provide, for each customer class and each division, data regarding monthly percustomer usage from the effective date of this Decision to the end of the test year for that rate case.

IT IS FURTHER ORDERED that the Commission's Utilities Division shall analyze the above-required per-customer usage data provided by Arizona Water Company in its next Northern Group rate case application, compare the declining usage experienced with the declining usage adjustment granted herein, determine whether a declining usage adjustment is warranted going forward, and provide testimony and recommendations accordingly in that rate case.

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1	IT IS FURTHER ORDERED that Arizona Water Company shall ensure that its customer bills
2	include, for each approved tariff charge billed to a customer, a separate line item clearly identifying
3	the charge by name and setting forth the dollar amount of the charge; that all rates and charges for
4	water service are billed in accordance with Arizona Water Company's approved tariffs; and that all
5	commodity usage is expressed and all associated commodity charges are assessed for units of 1,000
6	gallons.
7	IT IS FURTHER ORDERED that this Decision shall become effective immediately.
8	BY ORDER OF THE ARIZONA CORPORATION COMMISSION.
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11	CHAIRMAN COMMISSIONER
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13	COMMISSIONER COMMISSIONER COMMISSIONER
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15	IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have
16	hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix,
17	this day of 2013.
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19	JODI JERICH
20	EXECUTIVE DIRECTOR
21	DISSENT
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1	SERVICE LIST FOR: ARIZONA WATER COMPANY
2	DOCKET NO.: W-01445A-12-0348
3	Steven A. Hirsch
4	Stanley B. Lutz BRYAN CAVE, LLP The North Control Assessed Spring 2200
5	Two North Central Avenue, Suite 2200 Phoenix, AZ 85004-4406 Attorneys for Arizona Water Company
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7 8	Daniel W. Pozefsky RESIDENTIAL UTILITY CONSUMER OFFICE 1110 West Washington Street, Suite 220 Phoenix, AZ 85007
9	Janice Alward, Chief Counsel
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	Current	AWC	RUCO	Staff	Settlement
·		App.	Direct	Direct	Agreement
Monthly Minimum Charges					
<u>Residential</u>					
5/8" x <sup>3</sup> / <sub>4</sub> " Meter	\$ 12.64	\$ 18.25	\$ 16.40	\$ 16.30	\$ 17.26
1" Meter	31.61	45.63	40.9965	40.75	43.15
1 ½" Meter	N/A	91.25	N/A	81.50	86.30
2" Meter	101.15	146.00	131.1746	130.40	138.08
3" Meter_	202.29	292.00	262.3492	260.80	276.16
4" Meter	316.08	456.25	409.9206	407.50	431.50
6" Meter	632.17	912.50	819.8411	815.00	863.00
8" Meter	1,011.47	1,460.00	1,311.7458	1,304.00	1,380.80
10" Meter	1,453.99	2,098.75	1,885.6345	1,874.50	1,984.90
Commercial, Industrial,	·	Ì			
Construction Water, Sales for		·			me en la visit
Resale	10.64	<b>6 6 6 6</b>	0.00464		
5/8" x 3/4" Meter	\$ 12.64	\$ 25.00	\$ 22.4614	\$ 23.00	\$ 23.00
1" Meter	31.61	62.50	56.1535	57.50	57.50
1 ½" Meter	N/A	125.00	N/A	115.00	115.00
2" Meter	101.15	200.00	179.6912	184.00	184.00
3" Meter	202.29	400.00	359.3824	368.00	368.00
4" Meter	316.08	625.00	561.5350	575.00	575.00
6" Meter	632.17	1,250.00	1,123.0700	1,150.00	1,150.00
8" Meter	1,011.47	2,000.00	1,796.9120	1,840.00	1,840.00
10" Meter	1,453.99	2,875.00	2,583.0610	2,645.00	2,645.00
Private Fire	<b>** ** ** ** ** ** ** **</b>	0.05.00	00.4614		
All Sizes	\$ 22.58	\$ 25.00	\$ 22.4614	\$ 25.00	\$ 25.00
		<u> </u>	<u> </u>	1	<u> </u>
Commodity Rates		<u> </u>	T	· · · · · · · · · · · · · · · · · · ·	I.
Residential	·				
5/8" x 3/4" Meter	e 4 2771	Ø 41700	© 2.7545	Ø 2.7000	0 20160
1 to 3,000 gallons	\$ 4.2771	\$ 4.1788	\$ 3.7545	\$ 3.7200	\$ 3.9160
3,001 to 10,000 gallons	5.1320	5.2235	4.6931	5.1500	5.4213
Over 10,000 gallons	6.1580	6.5294	5.8664	6.9400	7.3058
1" Meter	5 1220				
1 to 10,000 gallons	5.1320				
Over 10,000 gallons	6.1580		4.6021		· · · · · · · · · · · · · · · · · · ·
1 to 25,000 gallons		5.2235	4.6931		<u> </u>
Over 25,000 gallons		6.5294	5.8664	F 1500	5 4012
1 to 21,000 gallons		-	<u> </u>	5.1500	5.4213
Over 21,000 gallons		<del> </del>		6.9400	7.3058
1 ½" Meter	NT/A	£ 2225	NT/A		
1 to 55,000 gallons	N/A		N/A		
Over 55,000 gallons	N/A	6.5294	N/A	F 1500	5 4012
1 to 50,000 gallons		<u> </u>	<u> </u>	5.1500	5.4213
Over 50,000 gallons		<u></u>	1	6.9400	7.3058

<sup>&</sup>lt;sup>1</sup> Construction water rates currently exist, and were proposed by AWC and RUCO on direct, only for 2-inch, 3-inch, and 4-inch meters. Staff recommended construction water rates for all meter sizes. The Settlement Agreement includes construction water rates only for 2-inch, 3-inch, and 4-inch meters.

2" Meter		<u> </u>			
1 to 50,000 gallons	5.1320				
Over 50,000 gallons	6.1580			1	
1 to 90,000 gallons		5.2235	4.6931		
Over 90,000 gallons		6.5294	5.8664		
1 to 60,000 gallons				5.1500	5.4213
Over 60,000 gallons				6.9400	7.3058
3" Meter					
1 to 125,000 gallons	5.1320				
Over 125,000 gallons	6.1580				
1 to 175,000 gallons		5.2235	4.6931		
Over 175,000 gallons		6.5294	5.8664		
1 to 120,000 gallons				5.1500	5.4213
Over 120,000 gallons				6.9400	7.3058
4" Meter					
1 to 200,000 gallons	5.1320				
Over 200,000 gallons	6.1580				
1 to 275,000 gallons		5.2235	4.6931		
Over 275,000 gallons		6.5294	5.8664		
1 to 190,000 gallons				5.1500	5.4213
Over 190,000 gallons				6.9400	7.3058
6" Meter					
1 to 350,000 gallons	5.1320				
Over 350,000 gallons	6.1580				
1 to 550,000 gallons		5.2235	4.6931		
Over 550,000 gallons		6.5294	5.8664		
1 to 390,000 gallons				5.1500	5.4213
Over 390,000 gallons				6.9400	7.3058
8" Meter					
1 to 650,000 gallons	5.1320				
Over 650,000 gallons	6.1580				
1 to 925,000 gallons		5.2235	4.6931		
Over 925,000 gallons		6.5294	5.8664		
1 to 600,000 gallons				5.1500	5.4213
Over 600,000 gallons				6.9400	7.3058
10" Meter					
1 to 1,080,000 gallons	5.1320				
Over 1,080,000 gallons	6.1580				
1 to 1,300,000 gallons		5.2235	4.6931		
Over 1,300,000 gallons		6.5294	5.8664		
1 to 800,000 gallons				5.1500	5.4213
Over 800,000 gallons		**		6.9400	7.3058
Commercial, Construction Water <sup>2</sup>					<u></u>
5/8" x <sup>3</sup> / <sub>4</sub> " Meter					· <u> </u>
1 to 10,000 gallons	\$ 4.6988	\$ 5.2235	\$ 4.6931	\$ 5.1500	\$ 5.4213
Over 10,000 gallons	5.6386	6.5294	5.8664	6.9400	7.3058
1" Meter				l	

<sup>&</sup>lt;sup>2</sup> Construction water rates currently exist, and were proposed by AWC and RUCO on direct, only for 2-inch, 3-inch, and 4-inch meters. Staff recommended construction water rates for all meter sizes. The Settlement Agreement includes construction water rates only for 2-inch, 3-inch, and 4-inch meters.

1 to 15,000 gallons		
1 to 25,000 gallons		
Over 25,000 gallons		-
1 to 21,000 gallons		
Over 21,000 gallons	00	5.4213
1 ½" Meter         1 to 55,000 gallons         N/A         5.2235         N/A           Over 55,000 gallons         N/A         6.5294         N/A           1 to 50,000 gallons         5.13           Over 50,000 gallons         6.94           2" Meter         1 to 65,000 gallons         6.94           1 to 90,000 gallons         5.6386         6.94           Over 65,000 gallons         5.6386         6.5294         5.8664           1 to 90,000 gallons         6.5294         5.8664         6.5294         5.8664           1 to 60,000 gallons         6.5294         5.8664         6.92         5.92	00	7.3058
1 to 55,000 gallons		
Over 55,000 gallons         N/A         6.5294         N/A           1 to 50,000 gallons         6.94           2"Meter         6.94           1 to 65,000 gallons         4.6988           Over 65,000 gallons         5.6386           1 to 90,000 gallons         5.2235           0 Ver 90,000 gallons         6.5294           1 to 60,000 gallons         5.12           Over 60,000 gallons         5.11           0 Ver 60,000 gallons         5.6386           1 to 125,000 gallons         5.6386           1 to 125,000 gallons         5.6386           1 to 175,000 gallons         5.2235           0 Ver 125,000 gallons         5.235           1 to 120,000 gallons         6.5294           1 to 120,000 gallons         6.5294           4"Meter         6.94           1 to 200,000 gallons         5.6386           0 Ver 200,000 gallons         5.6386           1 to 275,000 gallons         5.2235           0 Ver 275,000 gallons         6.5294           0 Ver 190,000 gallons         6.5294           0 Ver 190,000 gallons         5.6386           1 to 400,000 gallons         5.6386           1 to 550,000 gallons         5.6386		
1 to 50,000 gallons		
Over 50,000 gallons         6.94           2" Meter         1 to 65,000 gallons         4.6988           Over 65,000 gallons         5.6386         5.2235         4.6931           I to 90,000 gallons         6.5294         5.8664         5.12           Over 90,000 gallons         6.5294         5.8664         5.12           Over 60,000 gallons         6.94         5.12         5.12           3" Meter         1 to 125,000 gallons         5.6386         5.2235         4.6931           Over 125,000 gallons         5.6386         5.2235         4.6931           Over 175,000 gallons         6.5294         5.8664         5.11           Over 175,000 gallons         6.5294         5.8664         5.11           Over 175,000 gallons         6.5294         5.8664         5.11           Over 120,000 gallons         5.6386         5.235         4.6931           Over 200,000 gallons         5.6386         5.2235         4.6931           Over 275,000 gallons         6.5294         5.8664           1 to 190,000 gallons         6.5294         5.8664           1 to 190,000 gallons         5.6386         5.2235         4.6931           Over 400,000 gallons         5.6386         5.2235	00	5.4213
2" Meter         1 to 65,000 gallons         4.6988           Over 65,000 gallons         5.6386           1 to 90,000 gallons         5.2235         4.6931           Over 90,000 gallons         6.5294         5.8664           1 to 60,000 gallons         5.12           Over 60,000 gallons         6.94           3" Meter         5.6386           1 to 125,000 gallons         5.6386           Over 125,000 gallons         5.6386           1 to 175,000 gallons         5.2235         4.6931           Over 175,000 gallons         6.5294         5.8664           1 to 120,000 gallons         6.5294         5.8664           1 to 120,000 gallons         6.94           4" Meter         4.6988         6.94           1 to 275,000 gallons         5.6386         5.2235         4.6931           Over 200,000 gallons         5.6386         5.12         5.8664           1 to 190,000 gallons         6.5294         5.8664         5.1           Over 190,000 gallons         6.5294         5.8664         5.1           Over 400,000 gallons         5.6386         5.2235         4.6931           Over 550,000 gallons         5.6386         5.2235         4.6931	100	7.3058
1 to 65,000 gallons		
Over 65,000 gallons         5.6386           1 to 90,000 gallons         5.2235         4.6931           Over 90,000 gallons         6.5294         5.8664           1 to 60,000 gallons         6.94           Over 60,000 gallons         6.94           3" Meter         6.94           1 to 125,000 gallons         5.6386           Over 125,000 gallons         5.6386           1 to 175,000 gallons         6.5294           Over 175,000 gallons         6.5294           1 to 120,000 gallons         6.94           4" Meter         6.94           1 to 200,000 gallons         6.94           Over 120,000 gallons         5.6386           1 to 275,000 gallons         5.6386           1 to 275,000 gallons         5.6386           1 to 190,000 gallons         6.5294           Over 190,000 gallons         6.5294           6"Meter         6.99           1 to 400,000 gallons         5.6386           1 to 550,000 gallons         5.6386           1 to 550,000 gallons         6.5294           Over 550,000 gallons         6.5294           1 to 390,000 gallons         6.5294           Over 390,000 gallons         6.5294           1 to 6		
1 to 90,000 gallons         5.2235         4.6931           Over 90,000 gallons         6.5294         5.8664           1 to 60,000 gallons         5.15         6.94           3" Meter         1 to 125,000 gallons         6.94           Over 125,000 gallons         5.6386         4.6988           Over 175,000 gallons         5.2235         4.6931           Over 175,000 gallons         6.5294         5.8664           1 to 120,000 gallons         6.5294         5.8664           1 to 200,000 gallons         6.94           4" Meter         4.6988         6.94           1 to 275,000 gallons         5.6386         6.94           1 to 190,000 gallons         5.2235         4.6931           Over 275,000 gallons         5.2235         4.6931           Over 275,000 gallons         5.12         5.8664           1 to 190,000 gallons         5.12         5.8664           1 to 400,000 gallons         5.6386         5.12           Over 400,000 gallons         5.6386         5.2235         4.6931           Over 550,000 gallons         5.6386         5.2235         4.6931           Over 550,000 gallons         6.5294         5.8664           1 to 390,000 gallons         <		
Over 90,000 gallons         6.5294         5.8664           1 to 60,000 gallons         5.15           Over 60,000 gallons         6.94           3" Meter         1 to 125,000 gallons         5.6386           Over 125,000 gallons         5.6386           1 to 175,000 gallons         5.2235         4.6931           Over 175,000 gallons         6.5294         5.8664           1 to 120,000 gallons         6.5294         5.8664           1 to 200,000 gallons         6.94           4" Meter         4.6988         6.94           1 to 275,000 gallons         5.6386         5.2235         4.6931           Over 200,000 gallons         5.5235         4.6931           Over 275,000 gallons         5.5235         4.6931           Over 190,000 gallons         5.1           Over 190,000 gallons         5.1           6" Meter         1 to 400,000 gallons         5.6386           1 to 550,000 gallons         5.2235         4.6931           Over 550,000 gallons         5.5235         5.8664           1 to 390,000 gallons         5.5236         5.8664           1 to 390,000 gallons         5.1         6.5294         5.8664           1 to 675,000 gallons         6.9		
1 to 60,000 gallons         5.13           Over 60,000 gallons         6.94           3" Meter         1 to 125,000 gallons         5.6386           1 to 175,000 gallons         5.6386           1 to 175,000 gallons         6.5294         5.8664           1 to 120,000 gallons         6.5294         5.8664           1 to 120,000 gallons         6.94           4" Meter         4.6988         6.94           1 to 200,000 gallons         5.6386         6.94           1 to 275,000 gallons         5.6386         6.5294         5.8664           1 to 190,000 gallons         6.5294         5.8664         5.8664           1 to 190,000 gallons         6.5294         5.8664         5.1           Over 275,000 gallons         6.5294         5.8664         5.1           Over 190,000 gallons         6.988         6.9           6" Meter         6.988         6.9           1 to 400,000 gallons         5.6386         6.5294         5.8664           1 to 550,000 gallons         5.235         4.6931         6.5294         5.8664           1 to 390,000 gallons         6.5294         5.8664         6.9         6.9         6.9         6.9           8" Meter		
Over 60,000 gallons         6.94           3" Meter         1 to 125,000 gallons         4.6988           Over 125,000 gallons         5.6386         4.6931           1 to 175,000 gallons         6.5294         5.8664           1 to 120,000 gallons         6.5294         5.8664           1 to 120,000 gallons         6.94         6.94           4" Meter         1 to 200,000 gallons         5.6386           1 to 275,000 gallons         5.6386         6.5294         5.8664           1 to 275,000 gallons         6.5294         5.8664           1 to 190,000 gallons         6.5294         5.8664           1 to 190,000 gallons         6.5294         5.8664           1 to 400,000 gallons         6.96         6.96           6" Meter         7 </td <td>500</td> <td>5.4213</td>	500	5.4213
3" Meter       1 to 125,000 gallons       4.6988         Over 125,000 gallons       5.6386         1 to 175,000 gallons       5.2235       4.6931         Over 175,000 gallons       6.5294       5.8664         1 to 120,000 gallons       6.5294       5.8664         1 to 200,000 gallons       6.94         4" Meter       4.6988       6.94         1 to 200,000 gallons       5.6386       6.5294         1 to 275,000 gallons       6.5294       5.8664         1 to 190,000 gallons       6.5294       5.8664         1 to 190,000 gallons       6.94         6" Meter       6" Meter       6.94         1 to 400,000 gallons       4.6988       6.94         Over 400,000 gallons       5.6386       6.5294       5.8664         1 to 550,000 gallons       5.6386       6.5294       5.8664         1 to 390,000 gallons       6.5294       5.8664         1 to 390,000 gallons       6.5294       5.8664         1 to 675,000 gallons       6.99         8" Meter       1 to 675,000 gallons       4.9688		7.3058
1 to 125,000 gallons       4.6988         Over 125,000 gallons       5.6386         1 to 175,000 gallons       5.2235       4.6931         Over 175,000 gallons       6.5294       5.8664         1 to 120,000 gallons       5.15         Over 120,000 gallons       6.94         4" Meter       4.6988         Over 200,000 gallons       5.6386         1 to 275,000 gallons       5.2235       4.6931         Over 275,000 gallons       6.5294       5.8664         1 to 190,000 gallons       5.1         Over 190,000 gallons       5.1         6" Meter       4.6988         1 to 400,000 gallons       5.6386         1 to 550,000 gallons       5.6386         1 to 390,000 gallons       5.2235       4.6931         Over 550,000 gallons       5.6386         1 to 390,000 gallons       5.8664         1 to 390,000 gallons       5.1         Over 390,000 gallons       6.5294       5.8664         1 to 675,000 gallons       6.99		****
Over 125,000 gallons         5.6386           1 to 175,000 gallons         5.2235         4.6931           Over 175,000 gallons         6.5294         5.8664           1 to 120,000 gallons         5.15           Over 120,000 gallons         6.94           4" Meter         6.94           1 to 200,000 gallons         5.6386           1 to 275,000 gallons         5.2235         4.6931           Over 275,000 gallons         6.5294         5.8664           1 to 190,000 gallons         5.1         6.5294           Over 190,000 gallons         6.94           Over 400,000 gallons         5.6386         6.94           1 to 400,000 gallons         5.6386         6.94           Over 400,000 gallons         5.6386         6.5294         5.8664           1 to 550,000 gallons         5.2235         4.6931         6.5294         5.8664           1 to 390,000 gallons         6.5294         5.8664         5.1         6.94           0ver 390,000 gallons         6.5294         5.8664         6.94         6.94           0ver 390,000 gallons         6.5294         5.8664         6.94         6.94         6.94           0ver 390,000 gallons         6.94         6.94         <		
1 to 175,000 gallons       5.2235       4.6931         Over 175,000 gallons       6.5294       5.8664         1 to 120,000 gallons       5.11         Over 120,000 gallons       6.94         4" Meter       4.6988         Over 200,000 gallons       5.6386         1 to 275,000 gallons       5.2235       4.6931         Over 275,000 gallons       6.5294       5.8664         1 to 190,000 gallons       5.11         Over 190,000 gallons       6.94         6" Meter       6.94         1 to 400,000 gallons       5.6386         Over 400,000 gallons       5.6386         1 to 550,000 gallons       5.2235       4.6931         Over 550,000 gallons       5.2235       4.6931         Over 390,000 gallons       6.5294       5.8664         1 to 390,000 gallons       6.5294       5.8664         1 to 675,000 gallons       6.9         8" Meter       1 to 675,000 gallons       4.9688		
Over 175,000 gallons         6.5294         5.8664           1 to 120,000 gallons         5.13           Over 120,000 gallons         6.94           4" Meter         4.6988           Over 200,000 gallons         5.6386           1 to 275,000 gallons         5.2235         4.6931           Over 275,000 gallons         6.5294         5.8664           1 to 190,000 gallons         5.11         5.12           Over 190,000 gallons         6.94         6.94           6" Meter         1 to 400,000 gallons         5.6386         6.94           Over 400,000 gallons         5.6386         5.2235         4.6931           Over 550,000 gallons         6.5294         5.8664         5.1           Over 390,000 gallons         6.5294         5.8664           1 to 390,000 gallons         6.94         5.1           Over 390,000 gallons         6.94         6.94           8" Meter         1 to 675,000 gallons         4.9688		
1 to 120,000 gallons       5.13         Over 120,000 gallons       6.94         4" Meter       1 to 200,000 gallons       5.6386         1 to 275,000 gallons       5.2235       4.6931         Over 275,000 gallons       6.5294       5.8664         1 to 190,000 gallons       5.11         Over 190,000 gallons       6.94         6" Meter       6.94         1 to 400,000 gallons       5.6386         Over 400,000 gallons       5.6386         1 to 550,000 gallons       5.2235       4.6931         Over 550,000 gallons       5.2235       4.6931         Over 390,000 gallons       6.5294       5.8664         1 to 390,000 gallons       5.1         Over 390,000 gallons       6.9         8" Meter       1 to 675,000 gallons       4.9688		
Over 120,000 gallons         6.94           4" Meter         1 to 200,000 gallons         4.6988           Over 200,000 gallons         5.6386           1 to 275,000 gallons         5.2235         4.6931           Over 275,000 gallons         6.5294         5.8664           1 to 190,000 gallons         5.1           Over 190,000 gallons         6.94           6" Meter         6.94           1 to 400,000 gallons         5.6386           Over 400,000 gallons         5.6386           1 to 550,000 gallons         5.2235         4.6931           Over 550,000 gallons         5.2235         4.6931           Over 390,000 gallons         6.5294         5.8664           1 to 390,000 gallons         5.1         5.1           Over 390,000 gallons         6.9         6.9           8" Meter         1 to 675,000 gallons         4.9688	500	5.4213
4" Meter         1 to 200,000 gallons       4.6988         Over 200,000 gallons       5.6386         1 to 275,000 gallons       5.2235       4.6931         Over 275,000 gallons       6.5294       5.8664         1 to 190,000 gallons       5.1         Over 190,000 gallons       6.94         6" Meter       4.6988         Over 400,000 gallons       5.6386         1 to 550,000 gallons       5.2235       4.6931         Over 550,000 gallons       6.5294       5.8664         1 to 390,000 gallons       5.1         Over 390,000 gallons       6.9         8" Meter       4.9688		7.3058
1 to 200,000 gallons       4.6988         Over 200,000 gallons       5.6386         1 to 275,000 gallons       5.2235       4.6931         Over 275,000 gallons       6.5294       5.8664         1 to 190,000 gallons       6.94         6" Meter       6" Meter       6.94         1 to 400,000 gallons       5.6386         1 to 550,000 gallons       5.2235       4.6931         Over 550,000 gallons       6.5294       5.8664         1 to 390,000 gallons       6.5294       5.8664         1 to 390,000 gallons       6.94         8" Meter       4.9688		
Over 200,000 gallons         5.6386           1 to 275,000 gallons         5.2235         4.6931           Over 275,000 gallons         6.5294         5.8664           1 to 190,000 gallons         5.1           Over 190,000 gallons         6.94           1 to 400,000 gallons         4.6988           Over 400,000 gallons         5.6386           1 to 550,000 gallons         5.2235         4.6931           Over 550,000 gallons         6.5294         5.8664           1 to 390,000 gallons         5.1         6.99           8" Meter         4.9688         6.99		.
1 to 275,000 gallons       5.2235       4.6931         Over 275,000 gallons       6.5294       5.8664         1 to 190,000 gallons       5.1         Over 190,000 gallons       6.94         1 to 400,000 gallons       4.6988         Over 400,000 gallons       5.6386         1 to 550,000 gallons       5.2235       4.6931         Over 550,000 gallons       6.5294       5.8664         1 to 390,000 gallons       5.1         Over 390,000 gallons       6.99         8" Meter       4.9688		
Over 275,000 gallons       6.5294       5.8664         1 to 190,000 gallons       5.11         Over 190,000 gallons       6.94         6" Meter       1 to 400,000 gallons       4.6988         Over 400,000 gallons       5.6386         1 to 550,000 gallons       5.2235       4.6931         Over 550,000 gallons       6.5294       5.8664         1 to 390,000 gallons       5.1         Over 390,000 gallons       6.9         8" Meter       4.9688		
1 to 190,000 gallons       5.1         Over 190,000 gallons       6.94         6" Meter       4.6988         1 to 400,000 gallons       5.6386         1 to 550,000 gallons       5.2235       4.6931         Over 550,000 gallons       6.5294       5.8664         1 to 390,000 gallons       5.1         Over 390,000 gallons       6.9         8" Meter       4.9688		
Over 190,000 gallons       6.94         6" Meter       4.6988         1 to 400,000 gallons       5.6386         1 to 550,000 gallons       5.2235       4.6931         Over 550,000 gallons       6.5294       5.8664         1 to 390,000 gallons       5.1         Over 390,000 gallons       6.94         8" Meter       4.9688	500	5.4213
6" Meter  1 to 400,000 gallons  Over 400,000 gallons  1 to 550,000 gallons  Over 550,000 gallons  1 to 390,000 gallons  Over 390,000 gallons  8" Meter  1 to 675,000 gallons  4.9688	100	7.3058
1 to 400,000 gallons       4.6988         Over 400,000 gallons       5.6386         1 to 550,000 gallons       5.2235       4.6931         Over 550,000 gallons       6.5294       5.8664         1 to 390,000 gallons       5.1         Over 390,000 gallons       6.9         8" Meter       4.9688		
Over 400,000 gallons       5.6386         1 to 550,000 gallons       5.2235       4.6931         Over 550,000 gallons       6.5294       5.8664         1 to 390,000 gallons       5.1         Over 390,000 gallons       6.9         8" Meter       4.9688		
1 to 550,000 gallons       5.2235       4.6931         Over 550,000 gallons       6.5294       5.8664         1 to 390,000 gallons       5.1         Over 390,000 gallons       6.9         8" Meter       4.9688		
Over 550,000 gallons       6.5294       5.8664         1 to 390,000 gallons       5.1         Over 390,000 gallons       6.9         8" Meter       4.9688		
1 to 390,000 gallons 5.1  Over 390,000 gallons 6.9  8" Meter 4.9688		
Over 390,000 gallons       6.9         8" Meter       1 to 675,000 gallons         4.9688       4.9688	500	5.4213
8" Meter 1 to 675,000 gallons 4.9688	400	7.3058
1 to 675,000 gallons 4.9688		
I CACI OLD'OOR SUIDIIS I DIODO I I I		
1 to 925,000 gallons 5.2235 4.6931		
Over 925,000 gallons 6.5294 5.8664		
1 to 600,000 gallons 5.1	500	5.4213
Over 600,000 gallons 6.9	400	7.3058
10" Meter		
1 to 1,080,000 gallons 4.9688		
Over 1,080,000 gallons 5.6386		
1 to 1,300,000 gallons 5.2235 4.6931		
Over 1,300,000 gallons 6.5294 5.8664		

1 to 800,000 gallons				5.1500	5.4213
Over 800,000 gallons				6.9400	7.3058
Industrial					
All meters & all gallons	\$ 4.0667	\$ 5.2235	\$ 4.6931	\$ 5.1500	\$ 5.4213
Sales for Resale					
All meters & all gallons	\$ 4.6988	\$ 5.2235	\$ 4.6931	\$ 5.1500	\$ 5.4213

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	Current	AWC	RUCO	Staff	Settlement
		App.	Direct	Direct	Agreement
Monthly Minimum Charges					
Residential					
5/8" x 3/4" Meter	\$ 23.10	\$ 25.00	\$ 22.67	\$ 23.50	\$ 25.33
1" Meter	57.75	62.50	56.6650	58.75	63.33
1 ½" Meter	N/A	125.00	N/A	117.50	126.65
2" Meter	184.81	200.00	181.3280	188.00	202.64
3" Meter	369.62	400.00	362.6560	376.00	405.28
4" Meter	577.54	625.00	566.6500	587.50	633.25
6" Meter	1,155.07	1,250.00	1,133.3000	1,175.00	1,266.50
8" Meter	1,848.12	2,000.00	1,813.2800	1,880.00	2,026.40
10" Meter	2,656.67	2,875.00	2,606.5900	2,702.50	2,912.95
Commercial, Construction Water, <sup>3</sup>					,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Sales for Resale					
5/8" x 3/4" Meter	\$ 23.10	\$ 30.00	\$ 27.1992	\$ 25.00	\$ 25.00
1" Meter	57.75	75.00	67.9980	62.50	62.50
1 ½" Meter	N/A	150.00	N/A	125.00	125.00
2" Meter	184.81	240.00	217.5936	200.00	200.00
3" Meter	369.62	480.00	435.1872	400.00	400.00
4" Meter	577.54	750.00	679.9800	625.00	625.00
6" Meter	1,155.07	1,500.00	1,359.9600	1,250.00	1,250.00
8" Meter	1,848.12	2,400.00	2,175.9360	2,000.00	2,000.00
10" Meter	2,656.67	3,450.00	3,127.9080	2,875.00	2,875.00
Industrial					, , , , , , , , , , , , , , , , , , , ,
5/8" x 3/4" Meter	\$ 21.74	\$ 30.00	\$ 27.1992	\$ 25.00	\$ 25.00
1" Meter	54.36	75.00	67.9980	62.50	62.50
1 ½" Meter	N/A	150.00	N/A	125.00	125.00
2" Meter	173.96	240.00	217.5936	200.00	200.00
3" Meter	347.92	480.00	435.1872	400.00	400.00
4" Meter	543.62	750.00	679.9800	625.00	625.00
6" Meter	1,087.25	1,500.00	1,359.9600	1,250.00	1,250.00
8" Meter	1,739.60	2,400.00	2,175.9360	2,000.00	2,000.00
10" Meter	2,500.67	3,450.00	3,127.9080	2,875.00	2,875.00
Private Fire					
All Sizes	\$ 25.89	\$ 30.50	\$ 30.50	\$ 30.50	\$ 30.50
					+ 00.00
Commodity Rates				h	

<sup>&</sup>lt;sup>3</sup> Construction water rates currently exist, and were proposed by AWC and RUCO on direct, only for 2-inch, 3-inch, and 4-inch meters. Staff recommended construction water rates for all meter sizes. The Settlement Agreement includes construction water rates only for 2-inch, 3-inch, and 4-inch meters.

Residential			· · · · · · · · · · · · · · · · · · ·		
5/8" x 3/4" Meter					
1 to 3,000 gallons	\$ 3.3891	\$ 2.8224	\$ 2.5589	\$ 2.0000	\$ 2.1210
3,001 to 10,000 gallons	4.2361	3.5280	3.1986	3.3500	3.5527
Over 10,000 gallons	5.2954	4.4100	3.9983	4.2300	4.4860
1" Meter			,		
1 to 10,000 gallons	4.2361				
Over 10,000 gallons	5.2954				
1 to 40,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 40,000 gallons		4.4100	3.9983	4.2300	4.4860
1 ½" Meter					
1 to 75,000 gallons	N/A	3.5280	N/A	3.3500	3.5527
Over 75,000 gallons	N/A	4.4100	N/A	4.2300	4.4860
2" Meter					
1 to 125,000 gallons	4.2361	3.5280	3.1986	3.3500	3.5527
Over 125,000 gallons	5.2954	4.4100	3.9983	4.2300	4.4860
3" Meter					
1 to 298,000 gallons	4.2361				
Over 298,000 gallons	5.2954				
1 to 300,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 300,000 gallons		4.4100	3.9983	4.2300	4.4860
4" Meter					
1 to 493,000 gallons	4.2361			·	
Over 493,000 gallons	5.2954				
1 to 500,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 500,000 gallons		4.4100	3.9983	4.2300	4.4860
6" Meter					
1 to 925,000 gallons	4.2361				<u> </u>
Over 925,000 gallons	5.2954				
1 to 1,000,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 1,000,000 gallons		4.4100	3.9983	4.2300	4.4860
8" Meter					
1 to 1,500,000 gallons	4.2361	3.5280	3.1986	3.3500	3.5527
Over 1,500,000 gallons	5.2954	4.4100	3.9983	4.2300	4.4860
10" Meter					
1 to 2,262,000 gallons	4.2361	*			
Over 2,262,000 gallons	5.2954				
1 to 2,300,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 2,300,000 gallons		4.4100	3.9983	4.2300	4.4860
Commercial					
5/8" x <sup>3</sup> / <sub>4</sub> " Meter		,			
1 to 10,000 gallons	\$ 4.2361	\$ 3.5280	\$ 3.1986	\$ 3.3500	\$ 3.5527
Over 10,000 gallons	5.2954	4.4100	3.9983	4.2300	4.4860
1" Meter				,	
1 to 40,000 gallons	4.2361	3.5280	3.1986	3.3500	3.5527
Over 40,000 gallons	5.2954	4.4100	3.9983	4.2300	4.4860
1 ½" Meter				· · · · · · · · · · · · · · · · · · ·	
1 to 75,000 gallons	N/A	3.5280	N/A	3.3500	3.5527
Over 75,000 gallons	N/A	4.4100	N/A	4.2300	4.4860
2" Meter					
1 to 125,000 gallons	4.2361	3.5280	3.1986	3.3500	3.5527

Over 125,000 gallons	5.2954	4.4100	3.9983	4.2300	4,4860
3" Meter			2.5705		
1 to 298,000 gallons	4.2361				•
Over 298,000 gallons	5.2954				
1 to 300,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 300,000 gallons		4.4100	3.9983	4.2300	4.4860
4" Meter			0.000		
1 to 493,000 gallons	4.2361				
Over 493,000 gallons	5.2954				<del></del>
1 to 500,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 500,000 gallons		4.4100	3.9983	4.2300	4.4860
6" Meter				1,00,44	
1 to 925,000 gallons	4.2361				
Over 925,000 gallons	5.2954				
1 to 1,000,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 1,000,000 gallons		4.4100	3.9983	4.2300	4.4860
8" Meter					
1 to 1,500,000 gallons	4.2361	3.5280	3.1986	3.3500	3.5527
Over 1,500,000 gallons	5.2954	4.4100	3.9983	4.2300	4.4860
10" Meter					
1 to 2,262,000 gallons	4.2361				
Over 2,262,000 gallons	5.2954				
1 to 2,300,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 2,300,000 gallons		4.4100	3.9983	4.2300	4.4860
Industrial					
All meters & all gallons	\$ 3.6242	\$ 3.5280	\$ 3.1986	\$ 3.3500	\$ 3.5527
Coin Machine					
Gallons per Quarter (\$0.25)	53.76	65	65	N/A	64
Construction Water <sup>4</sup>					
5/8" x 3/4" Meter					
1 to 10,000 gallons	N/A	N/A	N/A	\$ 3.3500	N/A
Over 10,000 gallons	N/A	N/A	N/A	4.2300	N/A
1" Meter					
1 to 40,000 gallons	N/A	N/A	N/A	3.3500	N/A
Over 40,000 gallons	N/A	N/A	N/A	4.2300	N/A
1 ½" Meter	11/12	1071	1071		
1 to 75,000 gallons	N/A	N/A	N/A	3.3500	N/A
Over 75,000 gallons	N/A	N/A	N/A	4.2300	N/A
2" Meter	1 1111	1011	17/11		
1 to 125,000 gallons	\$ 4.2361	\$ 3.5280	\$ 3.1986	\$ 3.3500	\$ 3.5527
Over 125,000 gallons	5.2954	4.4100	3.9983	4.2300	4.4860
3" Meter			2.7703	2500	1.1000
1 to 298,000 gallons	4.2361				
Over 298,000 gallons	5.2954				
1 to 300,000 gallons	1	3.5280	3.1986	3.3500	3.5527
Over 300,000 gallons		4.4100	3.9983	4.2300	4.4860

<sup>&</sup>lt;sup>4</sup> Construction water rates currently exist, and were proposed by AWC and RUCO on direct, only for 2-inch, 3-inch, and 4-inch meters. Staff recommended construction water rates for all meter sizes. The Settlement Agreement includes construction water rates only for 2-inch, 3-inch, and 4-inch meters.

4" Meter					
1 to 500,000 gallons	4.2361	3.5280	3.1986	3.3500	3.5527
Over 500,000 gallons	5.2954	4.4100	3.9983	4.2300	4.4860
6" Meter					
1 to 1,000,000 gallons	N/A	N/A	N/A	3.3500	N/A
Over 1,000,000 gallons	N/A	N/A	N/A	4.2300	N/A
8" Meter					
1 to 1,500,000 gallons	N/A	N/A	N/A	3.3500	N/A
Over 1,500,000 gallons	N/A	N/A	N/A	4.2300	N/A
10" Meter					
1 to 2,300,000 gallons	N/A	N/A	N/A	3.3500	N/A
Over 2,300,000 gallons	N/A	N/A	N/A	4.2300	N/A
Sales for Resale					
All meters & all gallons	\$ 4.2361	\$ 3.5280	\$ 3.1986	\$ 3.3500	\$ 3.5527
					,

AVERIDID YAVLUEYYIDI WISHON (Se	(6)(6))- (5)				
	Current	AWC	RUCO	Staff	Settlement
		App.	Direct	Direct	Agreement
Monthly Minimum Charges					
Residential					
5/8" x 3/4" Meter	\$ 23.10	\$ 25.00	\$ 22.67	\$ 23.50	\$ 25.33
1" Meter	57.75	62.50	56.6650	58.75	63.33
1 ½" Meter	N/A	125.00	N/A	117.50	126.65
2" Meter	184.81	200.00	181.3280	188.00	202.64
3" Meter	369.62	400.00	362.6560	376.00	405.28
4" Meter	577.54	625.00	566.6500	587.50	633.25
6" Meter	1,155.07	1,250.00	1,133.3000	1,175.00	1,266.50
8" Meter	1,848.12	2,000.00	1,813.2800	1,880.00	2,026.40
10" Meter	2,656.67	2,875.00	2,606.5900	2,702.50	2,912.95
Commercial, Construction Water,	·				
Sales for Resale					
5/8" x <sup>3</sup> / <sub>4</sub> " Meter	\$ 23.10	\$ 30.00	\$ 27.1992	\$ 25.00	\$ 25.00
1" Meter	57.75	75.00	67.9980	62.50	62.50
1 ½" Meter	N/A	150.00	N/A	125.00	125.00
2" Meter	184.81	240.00	217.5936	200.00	200.00
3" Meter	369.62	480.00	435.1872	400.00	400.00
4" Meter	577.54	750.00	679.9800	625.00	625.00
6" Meter	1,155.07	1,500.00	1,359.9600	1,250.00	1,250.00
8" Meter	1,848.12	2,400.00	2,175.9360	2,000.00	2,000.00
10" Meter	2,656.67	3,450.00	3,127.9080	2,875.00	2,875.00
Industrial					
5/8" x 3/4" Meter	\$ 21.74	\$ 30.00	\$ 27.1992	\$ 25.00	\$ 25.00
1" Meter	54.36	75.00	67.9980	62.50	62.50
1 ½" Meter	N/A	150.00	N/A	125.00	125.00
2" Meter	173.96	240.00	217.5936	200.00	200.00

<sup>&</sup>lt;sup>5</sup> Construction water rates currently exist, and were proposed by AWC and RUCO on direct, only for 2-inch, 3-inch, and 4-inch meters. Staff recommended construction water rates for all meter sizes. The Settlement Agreement includes construction water rates only for 2-inch, 3-inch, and 4-inch meters.

3" Meter	347.92	480.00	435.1872	400.00	400.00
4" Meter	543.62	750.00	679.9800	625.00	625.00
6" Meter	1,087.25	1,500.00	1,359,9600	1,250.00	1,250.00
8" Meter	1,739.60	2,400.00	2,175.9360	2,000.00	2,000.00
10" Meter	2,500.67	3,450.00	3,127.9080	2,875.00	2,875.00
Private Fire	_,,_		.,		
All Sizes	\$ 25.89	\$ 30.50	\$ 30.50	\$ 30.50	\$ 30.50
			7 3 3 3 3 3		<del></del>
Commodity Rates			•		
Residential					
5/8" x <sup>3</sup> / <sub>4</sub> " Meter					
1 to 3,000 gallons	\$ 1.5317	\$ 2.8224	\$ 2.5589	\$ 2.0000	\$ 2.1210
3,001 to 10,000 gallons	1.9147	3.5280	3.1986	3.3500	3.5527
Over 10,000 gallons	2.3910	4.4100	3.9983	4.2300	4.4860
1" Meter					
1 to 10,000 gallons	1.9147				
Over 10,000 gallons	2.3910				··- <u>-</u>
1 to 40,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 40,000 gallons		4.4100	3.9983	4.2300	4.4860
1 ½" Meter					
1 to 75,000 gallons	N/A	3.5280	N/A	3.3500	3.5527
Over 75,000 gallons	N/A	4.4100	N/A	4.2300	4.4860
2" Meter					
1 to 125,000 gallons	1.9147	3.5280	3.1986	3.3500	3.5527
Over 125,000 gallons	2.3910	4.4100	3.9983	4.2300	4.4860
3" Meter					
1 to 298,000 gallons	1.9147				
Over 298,000 gallons	2.3910				· · · · · · · · · · · · · · · · · · ·
1 to 300,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 300,000 gallons		4.4100	3.9983	4.2300	4.4860
4" Meter					
1 to 493,000 gallons	1.9147				
Over 493,000 gallons	2.3910				
1 to 500,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 500,000 gallons		4.4100	3.9983	4.2300	4.4860
6" Meter					<u>::::::::::::::::::::::::::::::::</u>
1 to 925,000 gallons	1.9147				
Over 925,000 gallons	2.3910				
1 to 1,000,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 1,000,000 gallons		4.4100	3.9983	4.2300	4.4860
8" Meter				1,220	
1 to 1,500,000 gallons	1.9147	3.5280	3.1986	3.3500	3.5527
Over 1,500,000 gallons	2.3910	4.4100	3.9983	4.2300	4.4860
10" Meter			1		
1 to 2,262,000 gallons	1.9147				
Over 2,262,000 gallons	2.3910				
1 to 2,300,000 gallons	<del></del>	3.5280	3.1986	3.3500	3.5527
Over 2,300,000 gallons		4.4100	3.9983	4.2300	4.4860
Commercial			2.,,,,,		
5/8" x <sup>3</sup> / <sub>4</sub> " Meter					
1 to 10,000 gallons	\$ 1.9147	\$ 3.5280	\$ 3.1986	\$ 3.3500	\$ 3.5527
1 to 10,000 ganons	<u>  Ψ 1.7177</u>	<u>υ 3.3260</u>	<sub>1</sub> Ψ 3.1900	υ 2.2200	Ψ 3.3341

Over 10,000 gallons	2.3910	4.4100	3.9983	4.2300	4.4860
1" Meter		77.200			
1 to 40,000 gallons	1.9147	3.5280	3.1986	3.3500	3.5527
Over 40,000 gallons	2.3910	4.4100	3.9983	4.2300	4.4860
1 ½" Meter					
1 to 75,000 gallons	N/A	3.5280	N/A	3.3500	3.5527
Over 75,000 gallons	N/A	4.4100	N/A	4.2300	4.4860
2" Meter					
1 to 125,000 gallons	1.9147	3.5280	3.1986	3.3500	3.5527
Over 125,000 gallons	2.3910	4.4100	3.9983	4.2300	4.4860
3" Meter					
1 to 298,000 gallons	1.9147				
Over 298,000 gallons	2.3910				-
1 to 300,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 300,000 gallons		4.4100	3.9983	4.2300	4.4860
4" Meter					
1 to 493,000 gallons	1.9147		·		
Over 493,000 gallons	2.3910				
1 to 500,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 500,000 gallons		4.4100	3.9983	4.2300	4.4860
6" Meter	1011				
1 to 925,000 gallons	1.9147				
Over 925,000 gallons	2.3910				
1 to 1,000,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 1,000,000 gallons		4.4100	3.9983	4.2300	4.4860
8" Meter	10145				
1 to 1,500,000 gallons	1.9147	3.5280	3.1986	3.3500	3.5527
Over 1,500,000 gallons	2.3910	4.4100	3.9983	4.2300	4.4860
10" Meter	1.0147				
1 to 2,262,000 gallons	1.9147				
Over 2,262,000 gallons	2.3910	2.5200	2.1006	2 2500	2.5505
1 to 2,300,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 2,300,000 gallons Industrial		4.4100	3.9983	4.2300	4.4860
All meters & all gallons	\$ 1.6801	\$ 3.5280	\$ 3.1986	\$ 3.3500	\$ 3.5527
Coin Machine	\$ 1.0601	\$ 3.3260	\$ 3.1980	\$ 3.3300	\$ 3.3321
Gallons per Quarter (\$0.25)	118.94	65	65	N/A	64
Construction Water <sup>6</sup>	110.74		03	IN/A	04
5/8" x <sup>3</sup> / <sub>4</sub> " Meter					
1 to 10,000 gallons	N/A	N/A	N/A	\$ 3.3500	N/A
Over 10,000 gallons					
	N/A	N/A	N/A	4.2300	N/A
1" Meter			·		
1 to 40,000 gallons	N/A	N/A	N/A	3.3500	N/A
Over 40,000 gallons	N/A	N/A	N/A	4.2300	N/A
1 ½" Meter					
1 to 75,000 gallons	N/A	N/A	N/A	3.3500	N/A

<sup>&</sup>lt;sup>6</sup> Construction water rates currently exist, and were proposed by AWC and RUCO on direct, only for 2-inch, 3-inch, and 4-inch meters. Staff recommended construction water rates for all meter sizes. The Settlement Agreement includes construction water rates only for 2-inch, 3-inch, and 4-inch meters.

Over 75,000 gallons	N/A	N/A	N/A	4.2300	N/A
2" Meter					
1 to 125,000 gallons	\$ 1.9147	\$ 3.5280	\$ 3.1986	\$ 3.3500	\$ 3.5527
Over 125,000 gallons	2.3910	4.4100	3.9983	4.2300	4.4860
3" Meter					
1 to 325,000 gallons	1.9147				
Over 325,000 gallons	2.3910				
1 to 300,000 gallons		3.5280	3.1986	3.3500	3.5527
Over 300,000 gallons		4.4100	3.9983	4.2300	4.4860
4" Meter					
1 to 500,000 gallons	1.9147	3.5280	3.1986	3.3500	3.5527
Over 500,000 gallons	2.3910	4.4100	3.9983	4.2300	4.4860
6" Meter					
1 to 1,000,000 gallons	N/A	N/A	N/A	3.3500	N/A
Over 1,000,000 gallons	N/A	N/A	N/A	4.2300	N/A
8" Meter					
1 to 1,500,000 gallons	N/A	N/A	N/A	3.3500	N/A
Over 1,500,000 gallons	N/A	N/A	N/A	4.2300	N/A
10" Meter				-	
1 to 2,300,000 gallons	N/A	N/A	N/A	3.3500	N/A
Over 2,300,000 gallons	N/A	N/A	N/A	4.2300	N/A
Sales for Resale					
All meters & all gallons	\$ 2.2489	\$ 3.5280	\$ 3.1986	\$ 3.3500	\$ 3.5527

NAMES NO STATE OF STA	NECERTO) DE	ASSASAM.	<u>Vis</u>			
Service Line and						
	Current			Application		
			a Majoria	Recomme		
				Settlemen		
Meter Size	Service	<u>Meter</u>	<u>Total</u>	<u>Service</u>	<u>Meter</u>	Total*
	Line			<u>Line*</u>		
5/8" Meter	\$ 445	\$ 155	\$ 600	\$ 445	\$ 155	\$ 600
1" Meter	495	315	810	495	315	810
2" Turbine	830	1,045	1,875	830	1,045	1,875
2" Compound	830	1,890	2,720	830	1,890	2,720
3" Turbine	1,045	1,670	2,715	Cost	Cost	Cost
3" Compound	1,165	2,545	3,710	Cost	Cost	Cost
4" Turbine	1,490	2,670	4,160	Cost	Cost	Cost
4" Compound	1,670	3,645	5,315	Cost	Cost	Cost
6" Turbine	2,210	5,025	7,235	Cost	Cost	Cost
6" Compound	2,330	6,920	9,250	Cost	Cost	Cost
8" Turbine	2,210	5,025	7,235	Cost	Cost	Cost
8" Compound	2,330	6,920	9,250	Cost	Cost	Cost
10" Turbine	2,210	5,025	7,235	Cost	Cost	Cost
10" Compound	2,330	6,920	9,250	Cost	Cost	Cost
* Actual cos	t of service	line if bo	ring under	roadway is	required.	

AND BANGORGOUGHRANGER (O) UIRIN MANDAN IN		7. Orași de la constant de la consta		
Miscellaneous Service Charges				
	Current	AWC App.	Staff Recommended	Settlement Agreement
Service Charges				
Establishment	\$16.00	\$32.00	\$32.00	\$32.00
Guarantee Deposit	*	*	*	*
Reconnection for Delinquency	\$16.00	\$32.00	\$32.00	\$32.00
Re-Establishment	**	**	**	**
Service Call Out, Regular Hours	No Charge	No Charge	\$30.00	No Charge
Service Call Out, After Hours <sup>A</sup>	\$35.00	N/A	\$45.00	N/A
Returned Check	\$25.00	N/A	N/A	N/A
Returned Payment for Insufficient Funds	N/A	\$25.00	\$25.00	\$25.00
Meter Re-Read, Regular Hours	No Charge	N/A	\$15.00	N/A
Meter Re-Read, After Hours <sup>A</sup>	\$35.00	N/A	\$45.00	N/A
Meter Re-Read	N/A	\$25.00	N/A	\$25.00
Meter Test	***	***	***	****
Late Charge, after 15 days	1.5%	1.5%	1.5%	1.5%
After Hours Service Charge A	N/A	\$35.00	N/A	\$35.00

\* Residential maximum: Two times average customer class bill
Non-residential maximum: Two and one-half times that customer's estimated maximum
monthly bill

\*\* Eight times the customer's monthly minimum charge, or payment of the minimums since disconnection, whichever is less.

\*\*\* No charge for the first test; for the second test for the same customer within a 12-month period, \$50.00 or actual time and material, whichever is greater

\*\*\*\* No charge for the first test; for the second test for the same customer within any twelve (12) month period, \$25.00, or actual time and material, whichever is greater

After Hours means after regular working hours, on Saturday or Sunday, or on a holiday.

# EXHIBIT B ARIZONA WATER COMPANY

# NORTHERN GROUP GENERAL RATE CASE

SETTLEMENT AGREEMENT

#### SETTLEMENT AGREEMENT

#### AND

#### LIST OF SIGNATORY PARTIES

The purpose of this Settlement Agreement ("Agreement") is to settle identified disputed issues related to Docket No. W-01445A-12-0348, Arizona Water Company's ("AWC" or "Company") application to increase rates for its Northern Group of systems as identified in its August 1, 2012 application. This Agreement is entered into by the following entities:

Arizona Water Company ("AWC" or "Company")

The Utilities Division of the Arizona Corporation Commission ("Staff")

These entities shall be referred to collectively as the "Signatory Parties."

#### TERMS AND CONDITIONS

In consideration of the promises and agreements contained in this Agreement, the Signatory Parties agree that the following numbered sections and subsections, including attached exhibits and schedules, comprise the Signatory Parties' Agreement.

#### 1.0 RECITALS

- 1.1 Docket No. W-01445A-12-0348 was commenced by the filing of a rate application by AWC on August 1, 2012. AWC's application ("Application") requested a total proposed revenue increase of \$2,829,777, or approximately 28.0%, and a Fair Value Rate Base ("FVRB") of \$36,045,843.
- 1.2 Following a sufficiency finding by Staff docketed on August 30, 2012, the Residential Utility Consumer Office ("RUCO") filed an Application to Intervene on September 12, 2012.
- 1.3 The Administrative Law Judge granted the application to intervene filed by RUCO. No other persons or entities have intervened in this proceeding.
- 1.4 The Administrative Law Judge scheduled an evidentiary hearing on the Application to commence on May 13, 2013.
- 1.5 The parties' litigation positions for hearing associated with the total proposed revenue increase and FVRB, together with the amount proposed in settlement by the Signatory Parties, are as follows:

Settlement	\$2,240,329	21.8%	\$36,045,295
RUCO	\$1,691,803	16.5%	\$34,755,533
Staff	\$1,923,874	18.8%	\$36,057,615
Company	\$2,829,777	28.0 %	\$36,045,843
	Revenue Increase	% Increase	FVRB

1.6 Staff filed a notice of settlement discussions on March 13, 2013, noting that AWC had approached Staff concerning the possibility of settling the issues in the Rate Case, and that Staff was providing notice that settlement discussions concerning the Rate Case might commence on or after March 19, 2013. The Signatory Parties and RUCO were notified of the settlement discussion process, were encouraged to participate in the negotiations, and were provided with an equal opportunity to participate. Pursuant to the notice of settlement discussions, formal settlement discussions between the Signatory Parties and RUCO began on March 19, 2013 at the Commission's offices, and were concluded that same day, with a settlement reached on all issues in the Rate Case by the Signatory Parties. The Signatory Parties believe that the settlement reached between them addresses many of the issues in the Rate Case raised by RUCO, but not all such issues.

- 1.7 The Signatory Parties agree that the negotiation process undertaken in this matter was open, transparent and inclusive of all Signatory Parties and RUCO, with each such party having an equal opportunity to participate. All Signatory Parties and RUCO, including their counsel and principal witnesses and representatives, attended and actively participated in all phases of the settlement discussions. This Agreement is a result of those meetings and the Signatory Parties' and RUCO's good faith efforts to settle all of the issues presented in this Rate Case. A material consideration by AWC in compromising its positions in the Rate Case is the ability to quickly move its Application to final determination by the Commission, so that the new rates as set forth in this Agreement and ordered by the Commission may be implemented at the earliest possible date. To this end, the Signatory Parties agree to expedite their efforts in advancing this matter before the Commission consistent with the Procedural Orders made in the Rate Case and Commission Rules.
- 1.8 The purpose of this Agreement is to settle all issues presented in the Rate Case in a manner that will promote the public interest, provide for a prompt resolution of the issues, and allow expeditious implementation of the new rates as ordered by the Commission.
- 1.9 The Signatory Parties agree that the terms of this Agreement will serve the public interest by providing a just and reasonable resolution of the issues presented by the Rate Case, establishing just and reasonable rates for AWC's customers, and promoting the health, welfare and safety of AWC's customers. Commission approval of this Agreement will further serve the public interest by allowing the Signatory Parties to avoid the expense and delay associated with continued litigation. The Signatory Parties believe the provisions set forth in this Agreement address the issues raised by RUCO, except as to the negotiated rate of return on common equity, set forth in Section 3.0 below, as it relates to 1) the impact of the System Improvement Benefits ("SIB") mechanism, and 2) the negotiated rate design's incorporation of a declining usage adjustment.
- 1.10 The Signatory Parties agree to ask the Commission to (1) find that the terms and conditions of this Agreement are just and reasonable and in the public interest, along with all other necessary findings, and (2) approve the Agreement and order that the Agreement and the rates contained therein shall become effective at the earliest practicable date.

# 2.0 REVENUE REQUIREMENT, RATE BASE, INCOME STATEMENTS AND ADJUSTMENTS TO SAME

- 2.1 For ratemaking purposes and for the purposes of this Agreement, the Signatory Parties agree that:
- 2.2 AWC will receive an annual increase in revenues of \$2,240,329, for an annual revenue requirement of \$12,496,939;
- 2.3 The FVRB, which is determined based on the Original Cost Less Depreciation Rate Base for purposes of this Rate Case, is \$36,045,295.

- 2.4 The breakdown of test year revenues of the Northern Group among the Navajo (Lakeside and Overgaard) and Verde Valley (Sedona, Pinewood and Rimrock) systems is set forth in Schedule A-1 attached and incorporated into the Agreement by this reference.
- 2.5 The breakdown of FVRB of the Northern Group among the Navajo (Lakeside and Overgaard) and Verde Valley (Sedona, Pinewood and Rimrock) systems is set forth in Schedule B-1 attached and incorporated into the Agreement by this reference.
- 2.6 The Pro Forma Adjustments applicable to FVRB for the Northern Group and the breakdown of such adjustments among the Navajo (Lakeside and Overgaard) and Verde Valley (Sedona, Pinewood and Rimrock) systems and the Phoenix Office and Meter Shop are set forth in Schedule B-2, including its appendix attached, which are incorporated into the Agreement by this reference.
- 2.7 The Adjusted Test Year Operating Income applicable to the Northern Group and the breakdown of same among the Navajo (Lakeside and Overgaard) and Verde Valley (Sedona, Pinewood and Rimrock) systems are set forth in Schedule C-1 attached and incorporated into the Agreement by this reference.
- 2.8 The Income Statement Pro Forma Adjustments applicable to the Northern Group and the breakdown of such adjustments among the Navajo (Lakeside and Overgaard) and Verde Valley (Sedona, Pinewood and Rimrock) systems are set forth in Schedule C-2, including its appendix attached, which are incorporated into the Agreement by this reference.
- 2.9 The computation of the Gross Revenue Conversion Factor applicable to the Northern Group and the breakdown of such factor among the Navajo (Lakeside and Overgaard) and Verde Valley (Sedona, Pinewood and Rimrock) systems are set forth in Schedule C-3 attached and incorporated into the Agreement by this reference.

#### 3.0 COST OF CAPITAL

3.1 For ratemaking purposes and for the purposes of this Agreement, the Signatory Parties agree that an appropriate return on common equity shall be 10.0%, an appropriate cost of long-term debt shall be 6.82%, and that a capital structure comprised of 48.9% long-term debt and 51.1% common equity shall be adopted, which equates to a weighted cost of debt of 3.33%, a weighted cost of common equity of 5.11%, and an overall Weighted Average Cost of Capital of 8.44%, as set forth in Schedule D-1 attached and incorporated into the Agreement by reference.

#### 4.0 RATE DESIGN

- 4.1 For ratemaking purposes and for the purposes of this Agreement, the Signatory Parties agree that:
- 4.2 The summary of changes in representative rate schedules by customer classification for the Navajo (Lakeside and Overgaard) and Verde Valley (Sedona, Pinewood and Rimrock) systems are set forth in Schedule H-3 attached and incorporated into the Agreement by this reference.

- 4.3 The rate schedules for the Navajo (Lakeside and Overgaard) and Verde Valley (Sedona, Pinewood and Rimrock) systems set forth in Schedule H-3 attached and incorporated into the Agreement by this reference reflect certain post-Test Year declines in customer usage.
- 4.4 The summary of a typical bill analysis, showing impact on bills from the settlement set forth in this Agreement for the Navajo (Lakeside and Overgaard) and Verde Valley (Sedona, Pinewood and Rimrock) systems is set forth in Schedule H-4 attached and incorporated into the Agreement by this reference.

#### 5.0 RATE CONSOLIDATION

5.1 The Signatory Parties agree that AWC may complete the full consolidation of its Verde Valley (Sedona, Pinewood and Rimrock) system.

# 6.0 SYSTEM IMPROVEMENT BENEFITS ("SIB") MECHANISM

Pursuant to the Commission's directive, the Signatory Parties and RUCO 6.1 participated in lengthy settlement discussions concerning a SIB Mechanism in AWC's Eastern Group rate proceeding, Docket No. W-01445A-11-0310. Those discussions resulting in a Settlement Agreement being docketed in that proceeding on April 1, 2013, a copy of which is attached as Exhibit 1 and incorporated by reference (the "SIB Settlement"). In the SIB Settlement, the Signatory Parties agreed that the SIB mechanism discussed in the SIB Settlement may be used as a template in other proceedings. For ratemaking purposes and for the purposes of this Agreement, the Signatory Parties agree that the terms and conditions of the SIB Settlement as is ultimately approved by the Commission in Docket No. W-01445A-11-310 shall be applicable to AWC's Navajo (Lakeside, Pinetop Lakes, Overgaard and Forest Towne) and Verde Valley (Sedona, Valley Vista, Pinewood and Rimrock) public water systems, and that the SIB mechanism adopted in the SIB Settlement shall be available to those systems under the terms and conditions set forth in the SIB Settlement, adjusted as appropriate to reflect the specific projects eligible for SIB treatment in the Pinetop Lakes, Overgaard, Sedona, Pinewood, and Rimrock public water systems. The Signatory Parties agree that all factors incorporated into the SIB Settlement and its application to AWC's Northern Group in this proceeding have been carefully considered in reaching settlement on the Cost of Capital, as set forth in Section 3.0 above.

# 7.0 OTHER SETTLEMENT ISSUES

- 7.1 The Signatory Parties agree on AWC's Off-Site Facilities Fee as proposed in its Application and on the Company's Off-site Facilities Fee Tariff Schedule in the form set forth on Exhibit 2 attached and incorporated into the Agreement by this reference.
- 7.2 The Signatory Parties agree that that an Arsenic Cost Recovery Mechanism ("ACRM") is authorized for AWC's Navajo and Verde Valley systems.

7.3 The Signatory Parties agree that AWC may defer its costs associated with implementing and performing its Commission approved Best Management Practices for recovery in a future general rate case, and that AWC should record such deferral of costs.

# 8.0 COMMISSION EVALUATION OF PROPOSED SETTLEMENT

- 8.1 This Agreement shall serve as a procedural device by which the Signatory Parties will submit their proposed settlement of AWC's Rate Case Docket No. W-01445A-12-0348 to the Commission.
- 8.2 All currently-filed testimony and exhibits, as well as the testimony in support of this Agreement anticipated by the Commission's September 19, 2012 and February 14, 2013 Procedural Orders, shall be offered into the Commission's record as evidence.
- 8.3 The Signatory Parties recognize that the Commission will independently consider and evaluate the terms of this Agreement.
- 8.4 If the Commission issues an order adopting all material terms of this Agreement, such action shall constitute Commission approval of the Agreement. Thereafter, the Signatory Parties shall abide by the terms as approved by the Commission.
- 8.5 The Signatory Parties agree to support and defend this Agreement, including filing testimony in support of the Agreement and presenting evidence in support of the Agreement at the hearing scheduled to begin on May 13, 2013, and will not oppose any provision of the Agreement in pre-filed or live testimony. The Signatory Parties agree to waive their rights to appeal a Commission Decision approving the same, provided that the Commission approves all material provisions of the Agreement. The Signatory Parties shall take reasonable steps to expedite consideration of the settlement, entry of a Decision adopting the settlement, and implementation of the rates anticipated in this Agreement and shall not seek any delay in the schedules set for consideration of the Agreement or for the Administrative Law Judge's or Commission's consideration of the settlement embodied in the Agreement. If the Commission adopts an order approving all material terms of this Agreement, the Signatory Parties will support and defend the Commission's order before any court or regulatory agency in which it may be at issue.
- 8.6 Consistent with any order of the Commission, AWC shall file compliance tariffs for Staff review and approval. Such compliance tariffs, however, will become effective upon the effective date of the rate increase stated in the Commission's Order.
- 8.7 If the Commission fails to issue an order adopting all material terms of this Agreement or adds new or different material terms to this Agreement or decides any issue or adopts any position in conflict with any material term of this Agreement, any or all of the Signatory Parties may withdraw from this Agreement, and such Signatory Party or Parties may pursue without prejudice their respective remedies at law. For the purposes of this Agreement, whether a term is material shall be left to the discretion of the Signatory Party choosing to withdraw from the Agreement. If AWC files an application for rehearing before the

Commission, Staff shall not be obligated to file any document or take any position regarding AWC's application for rehearing.

8.8 The Signatory parties recognize that Staff does not have the power to bind the Commission. For purposes of proposing a settlement agreement, Staff acts in the same manner as any party to a Commission proceeding.

# 9.0 MISCELLANEOUS PROVISIONS

- 9.1 The provisions set forth in the Agreement are made for purposes of compromised settlement only and shall not be construed as admissions against interest or waivers of litigation positions of the Signatory Parties in this Rate Case or related to other or future rate cases.
- 9.2 This Agreement represents the Signatory Parties' mutual desire to compromise and settle disputed issues in a manner consistent with the public interest. None of the positions taken in this Agreement by any of the Signatory Parties may be referred to, cited, or relied upon as precedent in any proceeding before the Commission, any other regulatory agency, or any court for any purpose except in furtherance of this Agreement.
- 9.3 This case presents a unique set of circumstances and compromises to achieve consensus for settlement, participants may be accepting positions that, in other circumstances, they would be unwilling to accept. They are doing so because the Agreement, as a whole, with its various provisions for settling the unique issues presented by this case, is consistent with their long-term interests and with the broad public interest. The acceptance by any Signatory Party of a specific element of this Agreement shall not be considered as precedent for acceptance of that element in any other context.
- 9.4 No Signatory Party is bound by any position asserted in negotiations, except as expressly stated otherwise in this Agreement. No Signatory Party shall offer evidence of conduct or statements made in the course of negotiating this Agreement before this Commission, or any other regulatory agency, or any court.
- 9.5 Each of the terms and conditions of the Agreement is in consideration and support of all other terms. Accordingly, the terms are not severable.
- 9.6 The Signatory Parties warrant and represent that each person whose signature appears below is fully authorized and empowered to execute this Agreement.
- 9.7 The Signatory Parties acknowledge that they are represented by competent legal counsel and that they understand all of the terms of this Agreement and have had an opportunity to participate in the drafting of this Agreement and to fully review it with their counsel before signing, and that they execute this Agreement with full knowledge of the terms of the Agreement.
- 9.8 This Agreement may be executed in any number of counterparts and by each individual Signatory Party on separate counterparts, each of which when so executed and

Executed	this	5 <sup>71</sup> day	of April.	2013
LACOULOG			,	

ARIZONA WATER COMPANY

Name:\_\_\_\_\_

By: William M. Gavfield
Its: President and Chief Operating Office

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

By:\_\_\_\_\_\_

delivered shall be deemed an original and all of which taken together shall constitute one and the same instrument. This Agreement may also be executed electronically or by facsimile.

9.9 To the extent any provision of this Agreement is inconsistent with any existing Commission order, rule or regulation, this Agreement shall control.

Executed	this	 day	of	April,	201	3.

# ARIZONA WATER COMPANY

By:	
Name:	
Its:	

ARIZONA CORPORATION COMMISSION UTILITIES DIVISION

Name: STEVE OLEA

Its: 471417165 BIVISION DIRECTOR

		Requirem
PANY	2011	Computation of Increase in Gross Revenue Requirement
ARIZONA WATER COMPANY	Fact Year Ended December 31, 2011	ase in Gro
VA WAT	Ended Dec	on of Incre
ARIZOF	and Year	omentali

		M	LEOUTE L	Igi	**	(C)
<u> </u>	Z	Total Northern Group		Navalo	Pinew	(Sedons. Pinewood, Rimock)
	•	36.045.295	**	10,080,534	<b>••</b>	25,984,762
Adjusted Rate Base	• . !		•	474.971	•	1,208,423
Adjusted Operating Income	<b>••</b>	1,584,394	<b>?</b> .		•	
Current Rate of Return (Ln. 6 + Ln. 4)		4.87%		4.72%		4.65%
Bemired Coerating Income (Ln. 4 X Ln. 12)	Ġ	3,044,018	••;	849,510	<b>#</b>	2,194,408
Described Rate of Behinn		8.44%		8.44%		8.44%
(9 U) - 00 U O O O O O O O O O O O O O O O O O	•	1,359,624	**	374,639	: <b>**</b> :	964,985
Gross Revenue Conversion Factor	i.	1,6478	•	1,6510		1,8465
Required Increase in Gross Revenue	ė	2,240,329	•	618,535	<b>.</b>	1,621,794
(Lr. 14 X Ln. 15)	•	10,256,611	. <b>*</b>	3,663,832	. <b>₩</b>	6,582,779
Adjusted Gaverne with histogram	•	12,496,939	•	4,282,368	•	8,214,573
Remitted Increase in Revenue %		21.8%		18.9%		24.6%

Exhibit Schedule: Settlement B-1 Page 1 of 2

	M	Northern Group	<u>[]</u>
	Contractive Base	Settlement Adjustments	O.C. Rate Base Settlement
oss Plant in Service	\$ 84,174,349 \$	228,793 \$	84,403,142
ss: Accumulated Depreciation Net Plant in Sarvice	\$ 61,010,537	5.254 223,639 \$	23,169,066 61,234,076
NS:	7,048,087	ø.	7,048,087
Contributions in Aid of Construction:	16,491,869	ji. d	16,491,869 (3,964,163)
Accumulated Amortization Accumulated Amortization Net Construction	(3,964,163) \$ 12,527,706 \$	3	12,527,708
Deferred Income Tax Customer Deposits	6,406,416	<b>4 €</b>	6,406,416 68,783
dd: Working Capital Nei Regulstory Asset / (Liability)	1,066,298	(224,087)	862,210
-	38.045.843	(548)	36,045,295

Total Rate Base	Add: Working Capital Net Regulatory Asset / (Liability)	Deferred Income Tax Customer Deposits	Accumulated Ameritzation  Net Contributions in Aid of Construction	Contributions in Aid of Construction: Gross	Less: Advances in Aid of Construction	Less: Accumulated Depreciation Net Plant in Service	Grass Plant in Service		
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149.483 \$	(73,634)	*ey <u>e</u> ⊊		t <b>∮</b> 1		5,042 223,117 \$	228,159 \$	Settlement C Adjustments	Navajo
10,080,534	381,197	2,752,278 21,020	4,858,568	6,338,423	3,416,251	9,724,054 20,727,484	30.451,539	O.C. Rate Base Settlement	3
5			*			4	•	Come	
26,134,783 \$	831,466	3,654,138 47,763	7,669,107 \$	10,153,446	3,631,836	13,444,799 40,508,170 <b>3</b>	53,950,969	O.C. Rate Base Company - As Filed	W
(150,081) \$	(150,453)	· · · · · · · · · · · · · · · · · · ·		de de	<b>*</b>	212 422 <b>6</b>	<b>2</b>	;	[8]
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ARIZONA WATIER COMPANY Test Yest Ended December 31, 2011 Original Cost Rate Base Proforma Adjustments

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Supporting Schedules:

DOCKET NO. W-01445A-12-0348

supporting Schedules.

DECISION NO.\_\_\_\_

ARIZONA WATER CONIPANY Test Year Ended December 31, 2011 Original Cost Rate Base Pro Forms Adjustments

N.2012. Rate: Case/Strtientering from Sement Schedules/2012 AVC Rate Least Sements.

Schedules:

REZUNA WATER COMPANY	Lest Year Ended December 31, 2011	Settlement Rate Base Adjustment No. 1	Post-Test Year Plant True-Up
NOZIA	est Yea	Settleme	Post-Tes

	<u>.</u>	Adjum to Depreciation	Expense	A A	¥			3	· • 3	•	<b>,</b> (;			-	* 3	į i	.:		•		•	:			<b>5</b> -	à,	(81)	; ; ; ; ;	(12)			_			* (		, No	4	ň	***	t.ef	A SECTION							VA	
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Updated costs provided in response to Staff data request JNAM 6.//RUCO data request 1,30.

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ARIZONA WATER COMPANY Test Yest Ended December 31, 2011 Settlement Rate Base Adjustment No. 1 (continued) Post-Test Yest Plant True-Up

Exhibit Schedule: Settlement 8-2 Appendix Pege 2 of 25

August   A	Lag22   Lag2			₹	¥ (e)	Navelo (Gerttirued)	[0]	
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ant Land 2.50%	# Clear	Gas Engine Equipment	400%				4,859	
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	***************************************	Total Utility Plant		\$ 50	2	•		
							\$ 170,342	

Updated costs provided in response to Staff data request JMM 6.1/RUCO data request 1.30.

Updated costs provided in response to Staff data request JMM 6.1/RUCO data request 1.30.

Supporting Schedules:

Exhibit Schedule: Settlement B-2 Appendix Page 4 of 25

Post-Te	st Year	post-test year Plant True-Up			.2	nyaio (Continued)	2	
				K	(B)		<u>.</u>	
			Constitution	1-4925 As	1-4925 Actual		Adjsim vo Depredation Expense	
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5	325	_	4.00%			1907 377	(906)	
9	328	Ö		40,000	\$ 24,595			
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56	343	•	2.00%			<b>•</b> ; !	it.	
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<b>58</b>			4.55%			<b>.</b> .;	*:	
53			1.82%				4	
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4 4		Total Utility Plant		4000	70 S 24		Carlo	
46			(molling)				(485)	
4		Accumulated Depreciation (1/2-Year Convention)	E CONSTRUCT	*			\$ (14,952)	
46	•							

Net Plant

53 52 55 53 55 54 55

\*Updated costs provided in response to Staff data request UMM 6.1/RUCO data request 1.30.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2011
Settlement Rate Base Adjustment No. 1 (continued)
Post-Test Year Plant True-Up

Schedule: Settlement B-2 Appendix Page 5 of 25

					2	Navajo (Continued)		٠,
				₹.	(B)	<u>5</u>	<u> </u>	
				1-4928	1-4926	1-4926	Adjstrnf to	
- File			Depreciation Rate	Filed	Actual Cost	(Decresse)	Depreciation	
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8	305	Franchises	82			• •	*** ( )	
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<del>ر</del> و	2	Source of Supply Thank	0.00%			.á.	• 1	
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<b>.</b>	310.3	310.3 Office Society of Supply Land	B/L			÷	•	
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6	330	Water Ireginient Plain Land	2.50%			•.	<b>9</b>	
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5	332	William Ireatment Equipment	i i				•	
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8 %	4	Fire Sprinkler Tabs	2.00%			¥	* !	
, #	345	Secion Sections	2.38%			·	•	
2 6	348	Meters	# 59%			∢	* !	
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34	390	General Plant Structures	2.50%			<b>V</b> :	2. (	
35	390	-				<b>.</b>	. •	
38	391	Office Furniture & Equipment	9,19,9				;; <b>1</b>	
37	393	Warehouse Equipment	2.00%			•	i. V	
38	394	Tools, Shop & Garage Equip.	4.00%			•	r Y	
39	395	Leboratory Equipment	2.00%			• ;		
9	396	Power Operated Equipment	6.67%	,			2017	
4	397	Communication Equipment	8.87%	147,891	178,138	30,247		
42	398	Miscellaneous Equipment	3600.6	1		1	2002	
5		Subtotal General Plant		147,891	1 5 178,138	10°C		
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<del>4</del>		Net Plant			*			

Updated costs provided in response to Starf data request JMM 8, 1/RUCO data request 1,30.

Supporting Scheddles:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2011
Settlement Rate Base Adjustment No. 1 (continued)
Post-Test Year Plant True-Up

Exhibit Schedule: Settlement B-2 Appendix Page 6 of 25

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-	20,000	00 \$ 74,288	4,286	7
		1	7 198	\$ 288
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				. s 4:143
Net Plant				
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N'2012 Rate Case Settlem

Exhibit Schedule: Settlement B-2 Appendix Page 7 of 25

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				[A]: N	(B) Work Authorization	<u> </u>	
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Ę			Depreciation Rate	Filed	Cotte	(Decrease)	Expense
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<b>€</b>	Š	Water Treatment Plant	9,000	50,000			258
<u></u>	330	Water Treatment Plant Land	2000				± 130
	331	Water Trimit. Struct. & Improv.	2 88%		Algebra	385	371
	332	Water Treatment Equipment		\$ 50,000	97	•	
22		Subtotal Water I Time, Plant				;*	•
		ranamission & Distribution Plant	9,000			€.	ŧ
	9	Trans, and Oist, Laira	2:00%			£	. •
	342	Storage Lanks	1.79%			•	: a
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ARIZONA WATER COMFANY
Test Year Ended December 31, 2011
Settlement Rate Base Adjustment No. 1 (continued)
Post-Test Year Plant True-Up

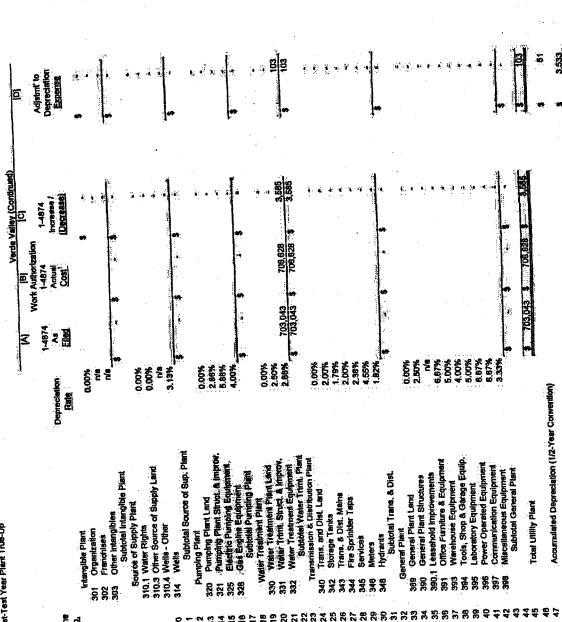
Exhibit Schlement B-2 Appendix page 11 of 25

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ARIZONA WATER COMPANY Test Year Ended December 31, 2011 Settlement Rate Base Adjustment No. 1 (continued) power Year Plant True-Up	

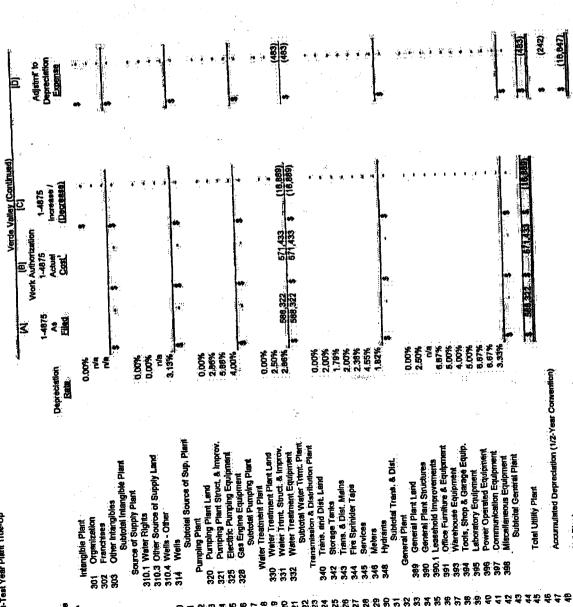
Exhibit Schedule: Settlement B-2 Appendix Page 12 of 25



Updated costs provided in respicies to Staff data request JMM 6.1/RUCO data request 1.30.

ARIZONA WATER COMPANY Test Year Ended December 31, 2011 Settlement Rate Base Adjustment No. 1 (continued) Post-Test Year Plant Tine-Up

Schedule: Settlement B-2 Appendix Page 13 of 25



Updated costs provided in response to Staff data request JMM 6.1/RUCO data request 1.30.

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ARIZONA WATER COMPANY
Test Year Endet December 31, 2011
Settlement Rate Base Adjustment No. 1 (continued)
post-rest Year Plant True-Up

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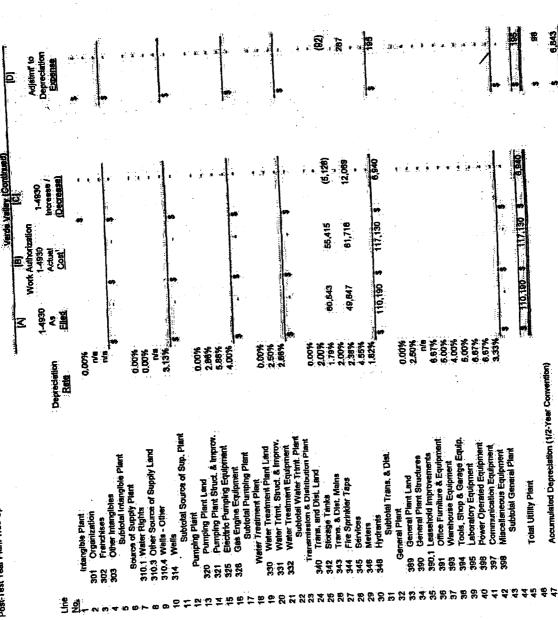
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Schedule: Settlement B-2 Appendix Page 15 of 25

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Exhibit Schedule: Settlement B-2 Appendix Page 18 of 25

ARIZONA WATER COMPANY 1est Year Eided December 31, 2011 Settlement Rate Base Adjustment No. 1 (confinued) Post-Test Year Plant True-Up



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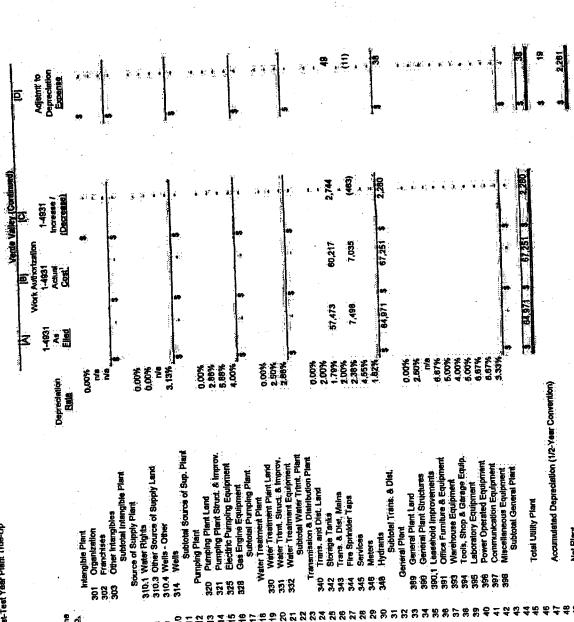
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Supporting Schedules:

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Exhibit Schedule: Settlement B-2 Appendix Page 20 of 25

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Leasehold Improvements  Office Funditure & Equipment 6.67% 190,000 184,380 (5,620)  Office Funditure & Equipment 6.00% 100% 100% 100% 100% 100% 100% 100%	General Plant Structures	( ·	7. (多)
Office Furniture & Equipment 6.67% 190,000 194,300 194	Leasehold Improvements		
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Power Operated Equipment 6.57% Communication Equipment 3.33% Miscellaneous Equipment 3.33% Subtotal General Plant 3.43% Accumulated Depreciation (1/2-Year Convention)  Net Plant  Power Operated Equipment 6.57% Subtotal General Plant 6.520 Subtotal Convention 6.57% Subtotal Conv	Laboratory Equipment	34	<b>9</b>
Communication Equipment 3.33% (5,620) 8 (5,620) 8 Subtotal General Plant 3.33% Total Utility Plant Accumulated Depreciation (1/2-Year Convention) 8	Power Operated Equipment	***	<u>ķ</u>
Miscellaneous Equipment S. 190,000 \$ 184,380 \$ (5,620) \$ Subtotal General Plant Total Utility Plant Accumulated Depreciation (1/2-Year Convention) \$ Net Plant	Communication Equipment		Company Co. Co.
	Miscellaneous Equipment	A 085 L84	<b>5</b>
	•	and the l	
<b>45</b>		į	95
•			
•	Accumulated Depreciation (1/2-Year Convention)		(191)
			\$ (5,433)
	Net Plant		

anti-final Settlement Extractules 2012 AWC Rate Case Settlement v3 20 15 INTERVAL Idex/82.1. Processing Date: 42/2012 2.51.PM NY2012 Rate Case/Settle

Supporting Schedules:

ARIZONA WATER COMPANY Test Year Ended December 31, 2011 Settlement Rate Bass Adjustment No. 1 (continued) Post-Test Year Plant True-Up

Exhibit. Settlement 6.2 Appendix Page 21 of 25

Transcriptor   Tran	rianglise Plant  201 Opperation  202 Franchise  203 Cherk integrals and the first of control of control of the first of control of control of the first of control of contro			. 5,01		1	Phoenty Office (Confined)	5	
1-854   1-85	1-4504   1				Z	(8) Work Authorization	<b>2</b>		
Particular   Par	Particle   Plant   County				1-4934	1-4934		Adjetm to Depredation	
Second State   Part   Second State	Secure of Supply Part	<b>11</b>		Depreciation Eate	Elect	100	(Decrease)	Expense	
201 Cynthicities   202 Open Hairballoon   203 Open Heinzelloon   204 Open Heinzelloon   205 Open Heinzelloon   206 Open Heinzelloon   2	901 Cymerchises 903 Open Internation 904 Characteristics 905 Oben Internation 905 Characteristics 905 Oben Internation 906 Source of Supply Land 907 Vester Rights 908 Oben Internation 908 Source of Supply Land 909 Source of Supply Registered Supply Regis	•	angible Plant	7000		•		**	
Standard Interview   Standar	Source of Supply land 0.00%  Source of Supply Land 1.00%  Source of Supply	301	Organization	E/U				<b>1</b>	
Source of Supply Paint  3.0. Water Printing Plant and 3.0. Where Treatment Plant Land 3.0. Water Treatment Plant Land 3.0 Water Treatment Replyment 3.0 Water Treatment Replyment 3.1 Water Treatment Replyment 3.2 Water Treatment Replyment 3.3 Water Treatment Replyment 3.4 Water Treatment Replyment 3.5 Water Treatment Replyment 3.6 Sendore Tenta 3.7 Treatment Replyment 3.8 Sendore Tenta 3.8 Sendore Tenta 3.9 Horizon 3.0 Convers Plant Land 3.0 Convers Plant Stantment 3.0 Convers Plantment 3.0 Convers Plantm	Source of Supply Plant  Source of Supply Plant  Source of Supply Plant  Source of Supply Plant  Source of Supply Land  ODON  Source of Supply Land  Source of Supply Land  ODON  Source of Land  Source of Supply Land  Accumulated Depreciation (1/2-Year Convention)  Nate Plant  Vipatated coats provided in response to Starf data request JAMA 9, (FUCO data request 1.50)	302	other Intancibles	1/8					
Source of Supply Paint, 0.000%  310.1 Water Rights  310.1 Water Rights  310.2 Over Source of Supply Land  310.2 Over Source of Supply Land  320.2 Pumping Paint Land  321 Pumping Paint Land  322 Electric Pumping Paint Land  323 Electric Pumping Paint Land  324 Electric Paint Land  325 Electric Paint Land  326 Electric Paint Land  327 Electric Paint Land  328 Over Electric Paint Land  329 Water Transmission Engineers  320 Water Transmission Engineers  321 Pumping Paint Land  322 Over Electric Paint Land  323 Water Transmission Paint Land  324 Fire Scribble Viter Transmission Paint  325 Water Transmission Paint  326 Electric Paint Land  327 Electric Paint Land  328 Water Transmission Paint  329 Water Transmission Paint  320 Water Transmission Paint  320 Water Transmission Paint  321 Water Transmission Paint  322 Water Transmission Paint  323 Water Transmission Paint  324 Fire Scribble Viter Transmission Paint  325 Water Transmission Paint  326 Electric Paint  327 Water Transmission Paint  328 Water Transmission Paint  329 Water Transmission Paint  320 Water Transmission Paint  320 Water Transmission Paint  321 Water Transmission Paint  322 Water Transmission Paint  323 Water Transmission Paint  324 Fire Scribble Viter Transmission Paint  325 Water Transmission Paint  326 Electric Paint  327 Water Transmission Paint  328 Electric Paint  329 Water Transmission Paint  320 Water Transmission Paint  320 Water Transmission Paint  320 Water Transmission Paint  321 Water Transmission Paint  322 Water Transmission Paint  323 Water Transmission Paint  324 Fire Scribble Viter Paint  325 Water Transmission Paint  326 Electric Paint  327 Water Transmission Paint  328 Electric Paint  329 Water Transmission Paint  320 Water Transmission Paint  320 Water Transmission Paint  320 General Paint Land  320 General Paint Land  320 General Paint Land  320 General Paint  320 General Paint  320 General Paint  320 Water Transmission Paint  320 General Paint  320 Ge	Source of Supply Plant  Total Other Source of Supply Plant  Weet Transmission Plant Source  Source of Source  Source of Source  Source of Plant Source	3	Subtotal Intangible Plant		•		÷		
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10.0 Wells	10.0 Wells	310.1	Water rugins Other Source of Supply Land	0,00%			• •	₹ •	
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Pumpling Plant   Plant   Dubby   Plant   Dubby   Plant   Plant   Dubby   Plant   Plant   Dubby   Plant   Pla	Subtotial Source of Sup. Plant  Subtotial Source of Sup. Plant  Subtotial Studies A improvement  Subtotial Founding Plant Land  Subtotial Founding Plant  Transmission & Distribution Plant  Subtotial Founding Plant  Transmission & Distribution Plant  Subtotial Founding Plant  Subtotial Contract Plant Structures  Subtotial Founding Plant  Subtotial Contract Equipment  Subtotial Contract Plant  Total Utility Pl	10 314	Š	3.13%			**************************************	÷	
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220   Pumping Parts Struck, & Improv.   2.86%	226   Pumping Parts Strock, & Improv.   2.86%	12 P	umping Plant	0.00%			Ja .		
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340 Trains, and Dist, Land  2,000%  342 Storage Tanks  343 Trains, & Dist, Mains  2,000%  344 Fire Sprinkler Tapps  2,200%  345 Services  346 Services  346 Meters  346 Meters  346 Meters  347 Services  347 Services  348 Services  348 Services  348 Services  348 Meters  349 General Plant Incurrent  340 General Plant Structures  340 General Plant Structures  340 General Plant Structures  350 General Plant Structures  360 General Plant Structures  370 General Plant Structures  381 Varietorius Equipment  382 Laboratory Equipment  383 Varietorius Equipment  384 Metersellument  384 Figure  385 Figure  386 Figure  387 Structures  386 Figure  387 Structures  387 Corrimmister Compension  387 Corrimmister Compension  388 Figure  389	340 Trains, and Dist, Land  2,000%  342 Shorego Flanks  343 Trains, & Dist, Mains  344 Five Sprinkler Tap's  345 Shoredood  346 Hydrands  346 Hydrands  346 Hydrands  346 Hydrands  346 General Plaint Land  347, 147, 148, 148, 148, 148, 148, 148, 148, 148	2 2	Subcolai Water Hunt, Frem				4	ij.	
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943 Trans. & Dist. Mains         2.00%           944 Fre Sprinkler Taps         2.38%           945 Services         4.55%           346 Meters         1.82%           350 General Plant Land         0.00%           350 General Plant Structures         1.62%           350 General Plant Land         2.50%           350 General Plant Structures         1.6           350 General Plant Structures         1.6           350 General Plant Structures         6.67%           390 Leaves Plant Structures         6.67%           391 Varietorizer Equipment         5.00%           392 Leaves Operated Equipment         6.67%           393 Leaves Operated Equipment         6.67%           394 Fowls, Strop & Garrage Equipment         6.67%           395 Communication Equipment         3.30%           397 Communication Equipment         3.30%           398 Miscellaneous Equipment         3.30%           399 Communicated Depredation (1/2-Year Comertion)         5.2/17.5 \$ 4.334           390 Communicated Depredation (1/2-Year Comertion)         5.2/17.5 \$ 4.334 </td <td>943 Trans. &amp; Dist. Mains         200%           944 Fre Sprinkler Taps         2,38%           945 Moters         4,55%           946 Moters         1,82%           95 Officer Furiture         2,50%           390 General Plaint Structures         1,62%           391 Office Furniture Strujument         2,50%           392 Office Furniture Strujument         6,50%           393 Waretoniae Equipment         6,00%           394 Power Operated Equipment         6,50%           395 Leboratory Equipment         6,50%           396 Power Operated Equipment         8,57%           397 Communication Equipment         8,57%           398 Power Operated Equipment         8,57%           399 Power Operated Equipment         8,57%           390 Power Operated Equipment         8,57%           391 Communication Equipment         8,57%           392 Librarial Plaint         7           Accumulated Depreciation (1/2-Year Convention)           Accumulated Depreciation (1/2-Year Convention)           Accumulated Depreciation (1/2-Year Convention)</td> <td></td> <td>· 03</td> <td>2.00%</td> <td></td> <td></td> <td>•</td> <td></td> <td></td>	943 Trans. & Dist. Mains         200%           944 Fre Sprinkler Taps         2,38%           945 Moters         4,55%           946 Moters         1,82%           95 Officer Furiture         2,50%           390 General Plaint Structures         1,62%           391 Office Furniture Strujument         2,50%           392 Office Furniture Strujument         6,50%           393 Waretoniae Equipment         6,00%           394 Power Operated Equipment         6,50%           395 Leboratory Equipment         6,50%           396 Power Operated Equipment         8,57%           397 Communication Equipment         8,57%           398 Power Operated Equipment         8,57%           399 Power Operated Equipment         8,57%           390 Power Operated Equipment         8,57%           391 Communication Equipment         8,57%           392 Librarial Plaint         7           Accumulated Depreciation (1/2-Year Convention)           Accumulated Depreciation (1/2-Year Convention)           Accumulated Depreciation (1/2-Year Convention)		· 03	2.00%			•		
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Suthchal Trains, & Dist.  General Plant  General Plant  General Plant  Sep General Plant Land  Sep General Plant Studenes  Sep General Plant Studenes  Sep General Plant Studenes  Sep General Plant Sep	Suthchal Trans, & Dist.  General Plant  General Plant  General Plant  General Plant Brucknes  390 General Plant Brucknes  391 Office Furniture & Equipment  392 Laboratory Equipment  393 Powier Operated Equipment  394 Fools, Shop & Garege Equip.  395 Laboratory Equipment  397 Communication Equipment  3,83% \$ 47,841 \$ 52,175 \$ 4,334  3,83% \$ 47,841 \$ 52,175 \$ 4,334  3,83% \$ 47,841 \$ 52,175 \$ 4,334  3,83% \$ 47,841 \$ 52,175 \$ 4,334  3,83% \$ 47,841 \$ 52,175 \$ 4,334  3,83% \$ 47,841 \$ 52,175 \$ 4,334  3,83% \$ 47,841 \$ 52,175 \$ 4,334  3,83% \$ 4,344 \$ 52,175 \$ 4,334  3,83% \$ 4,344 \$ 52,175 \$ 4,334  3,83% \$ 4,344 \$ 52,175 \$ 4,334  3,83% \$ 4,344 \$ 52,175 \$ 4,334  3,83% \$ 4,344 \$ 52,175 \$ 4,334  3,83% \$ 4,180		_	1.82%					
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	••	Total ( Mility Plant		237,841	236,556	10,700	
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		Accumulated Depreciation (1/2-Year	Convention)				
Net Plant	Net Plant						
		Net Plant					100 Add 100 Ad

Exhibit Schedule: Settlement B-2 Appendix Page 22 of 25

ARIZONA WATER COMPANY
1 est Year Ended December 31, 2011
Settlement Rate Bass Adjustment No. 1 (continued)
Post-Test Year Plant True-Up

	and Purchased for Arsenic Facility)
ARIZONA WATER COMPANY Test Year Ended December 31, 2011	Settlement Kare base Augustrian No. 2 (Remove Land Purchased for Arsenic Facility) Adopt Staff Rate Base Adjustment No. 2 (Remove Land Purchased for Arsenic Facility)

Work Auth. Total	As Depreciation	3		**************************************	4		4	(25,334)	A CONTRACTOR OF THE CONTRACTOR	-	\$ (25,334) \$		r i	· ·		40	. <b>ė</b>	<b>₽</b>	(113)	(3,954) \$ (113)		4.		£ 19	; (i)	90 T	A CONTRACTOR OF THE CONTRACTOR	k			*	· 神 · · · · · · · · · · · · · · · · · ·	) & &	**************************************	(4) ·	<b>*</b> .		*	\$ (29,288) \$		(£3)	\$ (29,231)						
	Depreciation Bate		%000				700.0	2000		200			\$000	£ 35	4.00%			%0000	2.50%	K09.7		0.00%	2.00%	78.V	2.00%	4.55%	1,82%		70000	2000	B/L	6.67%	5.00%	900 k	%20°0	8.67%	3.33%				ır Convention)						-	
		fotonothis Plent	Organization	Franchises	Other intengibles	Subtotal Intangible Plant	Source of Supply Plant	310.1 Water Rights	Other Source of Supply Land	Wells - Other	Wells	Subtolial Source of Capital	Functions Plant Land	Pumping Plant Struct. & Improv.	Electric Pumping Equipment	Gas Engine Equipment Cultotal Dumping Plant	And a september Dari	Water Treatment Plant Land	Water Trimit, Struct, & Improv.	Water Treatment Equipment	Subtotal Water Trimit. Plant	Transmission & Distribution Plain	Chance Tanks	Trans, & Dist, Mains	Fire Sprinkler Taps	Services	Meters	Subfotal Trans, & Dist.	General Plant	General Plant Land	General Plant Structures		Warehouse Equipment	Tools, Shop & Gerage Equip.	Laboratory Equipment	Power Operation Equipment	Miscellaneous Equipment	Subtotal General Plant		otal Cility riena	Accumulated Depredation (1/2-Year Convention)	Net Dient						
	Line	No.	301				Son	310.1		*	10 314	=	320	14 321	15 325	16 328	14	A 25	90			3	24 340	343		28 345	29 346					35 390.1 361		•			47 397		<b>3</b>	£	46 47.	<b>6</b> 4	6 G	9 <b>t</b> s	2 2	3.22	53	

Schedule: Settlement B-2 Appendix Page 24 of 25

(150,453) (124,087)
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Increase(Decrease) in Working Cash

Exhibit Schedule: Settlement B.2 Appendix Page 25 of 25

Monthem Group [C]  Test Yest Adhieled Navalo Verde Valley  0.0943 0.1252	er Sand Web H	(1,286) (121) (161) (1,286) \$ (121) \$ (161) (1,186) \$ (112) \$ (149)	11.185 14. (112), 8. (148)			(1,286) (121) (161)	(101) (10) (112) \$ (112) \$
3-Factor Allocation Ratio	Phoentx Office Plant Classification intengible Plant Source of Supply Plant Pumping Plant Veter Treatment Plant Transmission & Distribution Plant	General Plant Total Gross Plant In Service Less: Accumulated Depreciation Accumulated Service In Plant in Service	Deferred Income Tax Total Rate Base	Mater Shop Plant Classification Intrangible Plant Source of Supply Plant Pumping Plant Water Treatment Plant Transmission & Distribution Plant General Plant Total Gross Plant in Service	Less: Accumulated Depreciation Net Plant in Service Total Rate Base	Total Phoenix Office & Meter Shop Plant Classification Intengible Plant Source of Supply Plant Pumping Plant Weier Treatment Plant Transmission & Distribution Plant General Plant	Less: Praid Gross Plant in Service Less: Accumulated Depreciation Less: Deferred Income Tax: Total Rate Base

Case Settlement The Settlement of Paragraphy (2012) 2140 The

ARIZONA WATER COMPANY est yest Ended December 31, 2011 Computation of Working Capital

	Company - As Filted Working Cabital	[B] Filed Settlement pital Adiustments	Sottlerinent Working Capital
rking Cash Requirement (Sch. B-5 Rebuttel Appendix)	195,591	(224,087) \$	(28,490)
terial and Supplies Inventories	88,158	•	68,158
mired Bank Balances	231,729	<b>V</b>	231,729
payments & Special Deposits	570,816	•	570,818
and the Control Allowance	1,086,298	1,086,298 \$ (224,087) \$	862,210

13-month average balances

ARIZONA WATER COMPANY Test Year Ended December 31, 2011 Computation of Working Capital

Exhibit Schedule: Settlement B-5 Page 2 of 2

			Nimita	17.10 March 19.10	1.44	Varde Valley (Sedgre, Pin	9 (Sedure, Premond Rivery	3
	Company - As Filed Working Capital	My Pried Marking Capital	(9) Settlement Adjustments	[C] Settlement Working Catolini	(A) Compary - As Filed Working Capital	(A) y - As Filed ng Caoltai	Settlement Adverment	Worldin
iting Cash Requirement (Sch. B-5 Rebuttal Appendix)	· ••	84,216 \$	(73,634) \$	10,582	•	111,380 \$	\$ (150,463)	
ectal and Supplies Inventories		26,083	•.	26,063	7.4	62,073	*	
ulred Bank Balances		989'566	•	992'66		132,163	<b>₹</b> **	
payments & Special Deposits1		244,987	90	244,967	#	325,849		
And Alfanone		484,831 \$	(73,634) 8	381,197	9	651.598	The second second	

(39,073)

132,163 62,073

325,849

13-month average balances

Supporting Schedules: Settlement B-5 Appendix

Exhibit Schedule: Settlement B-5 Appendix page 1 of 2

Exhibit Schedule: Settlemen B-5 Appendix page 2 of 2.

Operating Revenues Residential Commercial Industrial Private Fire Service Other Water Revenues Total Operating Revenues Operating Revenues	Feat Year Ended 1223/2011 \$ 8897 832 \$ 2221 794 2221 794 66,035 66,035 113,440 113,440 113,440	(B) Pro Forme dissurents - As Filed (981,547) (11,548) (7,019) (7,019) (1,548) (1,197,883) (1,197,883)	[C] Adjusted Test Year - Ag Flied 2,003,295 2,003,295 69,818	[D] Settlement Adjustments	Adjusted Test Year- Settlement	Required	Adista wi increase - Settlement
perating Revenues Residential Connineratel Industrial Industrial Other Water Revenues Miscellaneous I Operating Revenues Operating Expenses	12012011 Ended 12012011 \$ 887 832 \$ 2221 794 5 6 85 6 85 113 400 5 11 322 340	(7) 1 (8) (8) (9) (9) (9) (9) (9) (9) (9) (9) (9) (9	4.5	Settlement	Adjusted Test Year - Settlement	Required Increase	Adjate Increase Settlem
Perating Revenues Residential Commercial industrial private Fire Service Other Water Revenues Total Water Revenues I Operating Revenues	1203(2011 \$ 8,897,832 \$ 2,221,794 3,594 56,835 56,835 11,208,900 \$ 11,308,900 \$ 11,308,900	833 273 38	<b>2</b>	Artiustments	Settlement		TIENIES.
Perating Revenues Residential Commercial Industrial Industrial Private Fire Service Other Water Revenues Miscellariebus I Operating Revenues	\$ 8897,632 \$ 2221,784 \$ 9,594 \$ 68.35 \$ 11,3460 \$ 11,322,340	(1,1961,547) (2,16,528) (7,019) (1,545) (1,188,002) (1,188,002) (1,197,083) (1,197,083)			A	TRAINE S	
Residential Commetcial Industrial Industrial Private Fire Service Other Water Revenues Total Water Revenues Wiscellaneous I Operating Revenues	2.221, 794 9,504 86,835 11,308,900 8,11,308,900 8,11,302,340		2,003,295 4,231 59,816	\$ 131,954	\$ 8,068,239 2,003,268		
Industrial private fire Service Other Water Revenues Total Water Revenues (Operating Revenues Operating Expenses)	000 22511 \$		59,816		4,231		
physite Fire Service Other Water Revenues Total Water Revenues Miscellariebus Operating Revenues	016 30511 \$		C		17.300		
Total Water Reversues Miscellaneous Operating Revenues Operating Expenses	11.522.340 8 11.522.340		3 10,020,896	131,954	10,162,852		
Miscellariebus A Operating Revenues Operating Expenses	11.322.240 11.322.240 910		168	À.	100.788	103,754	S 5 12.456 939
al Operating Revenues Operating Expenses	910	9,0,6	\$ 10,124,638	131,954	\$ 10,256,51		•
Operating Expenses	010	6,016					
Charles Inches	010	8,016		7	810		
Sortice of Supply Expenses.		6,016	610	6	98		86,068
Purchased Water	77,884	٠	83,900			•	896,352
Other Expenses:		,	898,352	•	266,358 168	.i.	
Purchased Power	598,352 251	3.	133	20.210	358	*	
Purchased Gas	292,753	33,841	326,594			Ç.	1 204 090
Other	567,248	101.754	: *	•	_	e i	1,069,078
Water treament Expenses	-	231,194		4	870.690,1		
Customer Accounting Expenses	2,058	**				-	1
Sales Expense	1.10	280,635	1 683 200	1108.480)	9 \$ 6.906,780		
Administrative & General Expension Trans. Constitutions & Maintenance Expense	\$ 50 km 054	\$ 748.286	*	į.	TOP OFF		1,850.307
	1,689,548	150,254	1,839,800	10,500		i	
Depreciation & Amortization Expenses		:		:	100		112 948,865
Taxes	707.353	(521,446)		62,548		32 164,295	
ğ,	105,071		40,954				
State income taxes Dribeity Taxes	311,379		3		146.155		100,200, \$ 1,005,634
Other	2.305.867	(1,598,331)		•	•::		ı,
Total Taxes		ď	11 E 8 550 605		12.612 \$ 8.512.217	117 S 800,703	A74 S 304 DIS
Total Operating Expenses	20 4 CON CO CO		1.00		- 6		
Operating income							
. Doctorio					,		1,202,103
Other monte a Deuterions	74 D D T 1 T	55.729	1,204,173		(2,069) 1,202,103		b (•
Long-Term Debt	1,140,441		_				
Short-Term Debt	100 TO	9		-	13 6481 \$ 1,202,103	•	1,202,103
Officer	1,085,587	•	(C) (S) 1,204,173	ė,	486		9
Total interest	400.00	906.99	e 25		<b>.</b> :		1
Other (Income) - Net				1	15 5461 8 1 202,103		1,202,103
* Deductions & Deductions	1,000,051	•	195,522 # 1,204,173				5 ESA 5 1.841.915
Total Culei (modile) a contraction	1051 24	8 1.054.243 \$ (693.364). \$	11	360,875 \$ 121,412 \$	12 1		1
Net Income							

N/2012 Rate\_Case/Settlement/has Settlement Scheduse/2012 ANC Fans Case Settlement v2 29 19 st (Efficiel\_district) N/2012 Rate\_Case/Settlement v2 29 19 st (Efficiel\_district) N/2012 Z.14 PM

Supporing Schedules: Seklement C-2

SECTOTON NO

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ALL CALLS MAINTAINER SAMEMENT SCHEDURS 2012 AVIC Rafe Case Settlement v3 20 19 WI EFGAAL, XXXXI.	
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	William William	<u>a</u>	3	2	į		
	* . I	Pro Forms Adjustments -	Adjusted Test Year-	Settlement	Adjusted Test Year - Settlement	Required Increase - Settlement	Adjeto w Incresso - Settlement
Operating Revenues Residential Continencial Industrial Private Fire Service Other Water Revenues	\$ 2,355,969 485,813 374 15,974	\$ (290,248) \$ (26,674) 158 (1,207) (1,207) 8 (1,019)	\$ 3,085,720 459,139 14,787 14,787 \$ 3,639	\$ 192'89 \$	\$ 3,134,472 459,139 532 14,767 12,690 \$ 3,621,381		
Total Water Revenues Miscellaneous Total Operating Revenues	\$ 3,017,284	(3.215) 8 (32.204)	\$ 3,595,080	1 60,761	3,660,832	8 818 50 E	1.250.300
Operating Expenses				3	610	ĩ	610
Source of Supply Expenses: Purchased Water	910	879	610 38,862	1,28	40,143	ï	40,143
Other	205,10			Ą	282.792		262,792
Pumping Expenses:	262,792	•į	262,792 A51	r of	45	••	451 405 983
Purchased Gas	454	13 60	94.464	11,418	<b>-</b>		78.128
Office	74 47	(3,284)	73,577		78,128	kelo <b>v</b>	908,806
Water Treatment Expanses	441,848			(21,628)			520,458
Transmission & Utsa busine Expenses	478,844	41,612				<b>F</b> <sub>2</sub> :	88
Object myperate	188			7	190,000		\$ 2206213
Administrative & General Expenses Total Operations & Maintenance Expense.	1,990,750	\$ 256,018	\$ 2,246,768	•	•	•	682.925
Depreciation & Amortization Expenses	643,577	29,264	672,841	10,084	682,825		
			,	747.00	71.840	192,996	
Federal (ncome Taxes	197,278	(146,185)					5 58,341
State Income Taxes	135,561						***************************************
Other	345.481	(282.406)	8 245,195	875 79	\$ 289,723	8 243,895	_
Total Taxes	30.101		A 182 BO		3,189,881	-	5,412,788
Total Operating Expenses Operating Income	\$ 5541 BS		(145,057) \$ 450,275	44,694		3777	
Other Income & Deductions:							435.517
Interest	359,135		331,096		335		
Cong-lena Debt	263			<b>3</b> . 4	• (	¥.	١
Other	\$ 333.216	1 S (2 (20)	331.096	6.8	1 8 385,517		114 000 S
lotal indress			. is	, die	**	vár	*
Other (Income) - Net	(24,446)		1		T 200 E 47		\$ 335.517
Total Other (Income) & Deductions	\$ 308,768 \$	8 \$ 22,328	3 \$ 331,096	•	0 000 P		
		8 (382,385) \$	181.89 18 1		40.718 4	4. 8. 574.824	10 S. Miller

ARIZONA WATER COMPANY Test Year Ended December 31, 2011. Adjusted Test Year Income Statement

Supporting Schedules: Settlement C-2

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	Test Year	Pro Forma	Adjusted Test Year	Settlement	Adjusted Test Year	Increase - Settlement	Increase -
	12/31/2011	As Filed	A FIRM	Adustria	3		
SOLF OF STREET	4 7 4 004	(671.299)	\$ 4,870,585	\$ 63,203	\$ 4,933,758 4 F.64 128		
Operant State Stat	135.084 135.084	(191,855)	1,544,126	<b>6</b> 3	669'6		
Commercial	3,220	479	9999. 800.00	)	45,049		
Industrial Crimas Fire Service	50,861		028	Ţ,	4 820		
Other Water Revenues	1 247 272	(£10,698) 8	8 6,488,259	\$ 63,203			
Total Water Revenues		•		3	91.317	1 100 1	1 254 TRE \$ 8.214,573
Miscellareous	5 7 205 OFB	(875,480)	\$ 6,629,676	69,203	49		ř
Total Operating Revenues	•						
Operating Expenses				ia.		•	* STO ST
Source of Supply Expenses:	*		1 TE (138		45,923	*	Ž.
Purchased Water	39,901	5,137			COS See	ě	635,560
Damping Expenses:	CB3 264	٠	635,560	•	2000	;! >	
Purchased Power	000,000		•				250,932
Purchased Gas	211.895	20,235				φ. ·	SAC ROA
Other	490,387	•	585,425	_		<b>6</b>	548,622
Water Treatment Expenses	605,975	-		,	548,622	18	1,17
Transmission of Library Constitution Expenses	495,638	+06'7C			- 10		916
Sales Expense	782.78		*	A 035	6	3 16	20.0
Administrative & General Expenses	8 3,273,284	4 4 492,218	3,765,502		24		1 187 382
Total Operations & Matricinarios Experio		120 089	1 166,958		424 1,167,382	22	
Depreciation & Amortization Expenses	Son'cito'i						Oct yes
20		:	A19.4814	. •	. <del></del> .	13 507,416	
Texes	510,075	(3/5/201)					
State Income Taxes	75,787		:	2,059			1
Property Taxes	007-1		0 88.082	2	SE \$15.407	8 600 600 8 LO	ε.
Other	1,598,242	(206'96'1) \$ 2		•	<b>.</b>		2 A 190
Total Texes		1800 800/		-	11.445 \$ 5.383,356	56 \$ 630,808	10 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5
Total Operating Expenses Operating Income	\$ 1.487,501		-	§ \$ .4%			
Stripe Carrier							866,587
	DOC 0017	63.768	58 873,077		(6,491) 865,557		
Long-Term Debt	7 TO				1		100
Short-Term Debl	(57.945)	45) 57,545	B73		(6,481) \$ 666,587	\$ 283	
Total Inferest	\$ 192	 10:	ý	١.	··,	. 38	 ¥
12	(32,459)	159) 32,459	65				1 888 587
Other (income) - Net	1000	500 603 E 173 194	94 \$ 873,077	•	(6,491) \$ 868	868,587 \$	•
Total Other (Income) & Deductions					342	342,837 \$ 98	128 1251 1 1 20
	181	787 677 \$ (525.9	(525,980) \$ 261,036		l		
		ı					

ARIZONA WATER COMPANY Test Year Ended December 31, 2011 Adjusted Test Year Income Statement

Supporting Schedules: Settlement C-2

Column   C	100   100	Frod of Total Vest   1981 Vest		885 885 885 885 885 885 885 885 885 885	<b>3 3 8 8 8</b>				19 18 18 18 18 18 18 18 18 18 18 18 18 18	900		Part Part Part Part Part Part Part Part
### 15.25   17.10   20.03   17.10   17	# GATTART 2 (FEE ST) 2 (1992) 2 (1914)  # THE ST   1914	\$ 8,097,832 \$ 2,221,794 \$ 2,221,794 \$ 3,594 \$ 9,597,832 \$ 9,594 \$ 9,59	25 (2) (2) (3) (4) (4) (4) (4) (4) (4) (4) (4) (4) (4	7,836,285 \$ 2,003,286 \$ 4,231 \$ 93,018 \$ 17,400 \$ 10,020,886 \$ 9 10,174,659 \$ 10,174,659 \$ 10,174,659 \$ 10,174,659 \$ 10,174,659 \$ 10,174,659 \$ 10,174,659 \$ 10,174,659 \$ 10,174,659 \$ 10,174,679 \$ 10,17	131,854 \$ 2,188 13,430 13,430				88	600 ft		
1,122,40   1,122,40	1,130   1,10	2,021,704 3,594 5,001,704 5,001,704 5,001,704 5,001,704 5,001,707		2,003,288 4,231 59,816 17,806 10,020,886 10,174,689 83,800 898,352 451 326,594 669,002 1,089,017 1,089,78 2,058 8,012,270 8,013,200 1,889,800	131,854 3 22,188 30,219 13,430				88	6		
1,130,100   1,140,100   1,150,100   1,150	1 11 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	### 11.37.340  ###################################		610 83,800 83,800 83,800 83,800 80,02 1,79,017 1,099,078 8,000 8,0	2.168 2.168 30.219 13.430	(126.84)			<b>88</b>	6.		
1,1,1,1,1,1,1,1,1,1,1,1,1,1,1,1,1,1,1,	1,120, 200   (1,10)   (1,0)	### 11322.340 ### 11322.340 #### 11322.340 ####################################	<b></b>	69.819 17.400 104.756 104.756 610 83,900 898.352 451 328.594 69,002 1,009,002	131,854 \$ 131,854 \$ 30,218 13,490 13,490				88.	900		
### ### ### ### ### ### ### ### ### ##	######################################	### ### ### ##########################	us 40	103,786 103,124,056 10,124,056 10,124,056 10,124,056 10,124,056 1,059,072 1,059,072 1,059,072 1,059,072 1,059,072 1,059,072 1,059,072	131,854 \$ 131,854 \$ 30,218 13,430 13,430				88	9500		
	1,500,000   1,10	perses: 610 77,884  r. 113,446  s. 11,322,340  77,884  ribution Expenses 1,041,823  ribution Expenses 1,689,646  ribution Expenses 1,689,646  ribution Expenses 1,689,646  ribution Expenses 1,689,646  1,689,646	us 60	0,020,886 9 10,124,669 \$ 10,124,669 \$ 83,900 898,352 451 326,594 689,002 1,089,017 1,089,78 2,058 8,012,270 \$ 1,889,800	131,854 \$ 2,168 13,430 13,430 145,815 \$				88	6		
11,122,30   (1,107,00)   (1,07,00)   (1,10	### 1544   1552 340   1110 2551   15124   1512	# 113,446 # 11,322,340   1,322,340   1,894   1,894   1,894   1,499,445   1,499,446   1,4		109,789 610 83,900 83,900 898,352 451 326,594 669,002 1,279,017 1,059,078 1,089,270 6,012,270 1,339,800	131,854 3 2,168 30,219 13,430	(126 92)		1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	88	900		
### 11844	15444   15172740   1118780   161844   15184	### ### ##############################	(1,187,003) 5-1 (1,187,003) 5-	104,756 10,124,056 610 83,900 898,352 451 328,594 669,002 1,279,017 1,099,078 8,012,270 1,099,200 1,189,800	131,854 3. 2,168 30,218 13,430	Control Control	# 1		<b>88</b> .	95001		
### 11.727.740   (1187.859)   (	Titology	### 11,322,340  T7,884  T7,884  Fright	11.187.8831 \$	610 898.352 898.352 451 328.594 669.002 1.279.017 1.069.078 2.058 8.012.270 \$	131,854 \$ 2,188 20,218 13,430 45,616 \$			9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9	88.5	05000 05000		
Title   Color   Colo	177,494   6,016   83,000   2,168   1,000   1	### 1994   1,000   1,0	23.841 101,754 231,194 94,596 280,835 746,254 150,254	610 83,900 898,352 451 326,594 689,002 1,299,017 1,089,78 2,058 8,012,270 8,012,270	2,168 30,219 13,430 45,815 \$		ar ar or or or wester to the second of the s	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	88.	G + 1 + 4 4 + 5 2 4 5 1 000		
Common   C	Expenses	of Supply Expenses:  of Supply Expenses:  of Expenses  reserved Gas  chased Over chased Gas  Treatment Expenses  rission & Distribution Expenses  rission & Distribution Expenses  rission & Aliaminerism Expenses  indexicultive & General Expenses	9,016 33,841 101,754 231,194 94,596 280,835 150,254	610 83,900 898,352 451 326,594 669,002 1,279,017 1,059,078 1,059,078 8,012,270 6,012,270	2.168 20.219 13,430 45,815	E de servicion de la companya de la	gras armanarmora de la compansa de l	9 5 4 4 4 5 5 6 5 7 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8	<b>88</b> .	€ × € + × € + × ½ • € 000		
Expenses	Control Expenses:	Expenses   Expenses   Edit	23.841 101.764 23.841 101.764 23.866 23.866 23.866 23.866 23.866 150.254	610 83,900 898,352 451 328,594 669,002 1,279,017 1,069,078 1,069,078 6,012,270 6,012,270 1,339,800	2,168 30,218 13,430 13,430 45,815 \$ 15,530	6. 3 (40. Ext. ) (10. 11. 11. 11. 11. 11. 11. 11. 11. 11.	a a group arwent to be seen as	9 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4	6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6	G		
Charact Visites: 77,994   6,016   6,000   2,166   7,794   6,016   6,000   2,166   7,794   7,794   6,016   6,000   2,166   7,794   7,79	Common   C	of Supply Expenses: 610  chased Water 77,884  in Expenses: 888,352  chased Power 451  chased Bas 102,753  er Accounting Expenses 1,047,823  in Amortization Expenses 1,689,646  i. & Amortization Expenses 1,689,646  ii. & Amortization Expenses 1,689,646  iii. & Amortization Expenses 1,689,646  iii	9,016 33,841 101,754 231,194 94,596 280,835 748,236 150,254	610 83,800 898,352 451 328,594 689,002 1,779,017 1,069,078 2,058 1,069,708 8,012,270 1,839,800	2,168 20,219 13,430 45,615	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	A A GO SA WAS DE SA SE	9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9	88.	900	•	
Compared	Common   C	chassed Water 77,884  rig Expension: 610  chased Gas 352  chased Gas 451  chased Gas 352  chased Gas 352  chased Gas 352  chased Gas 352  restructing Expenses 1041,823  rest Accounting Expenses 2,088  istrative & General Expenses 2,088  istrative & General Expenses 1,462,833  al Income Taxes 105,071  income Taxes 105,071  into Taxes 3,1339  int Taxes 1,339	33.841 101.764 231.194 94,596 150,254	858,352 858,352 451 328,594 669,002 1,279,017 1,069,078 1,069,078 6,012,270 1,839,800	2,168: 30,219 13,430 45,815 \$	(14.02.1)		¥ 44 4 5 5 6 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7 7	88.	<b>9.00</b>		
The state of the control of the cont	TT 984 010 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	references:  the Expenses:  chased Gas  chased Gas  Treatment Expenses  Treatment Expe	33,841 101,754 231,194 94,596 280,855 748,236 150,254	898.352 451 326.594 689.002 1,279.017 1,059.078 8,012.270 6,012.270	30,218 13,430 45,815 815	(versit)	ALDER ALDER AND	* G * > * > * * * * * * * * * * * * * *	6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6	9,000		
Trementation Expenses  227.733  144.722  144.722  144.723  144.422  144.44  14	Expenses   1,000   1	rig Expensés:  chased Power  451  chased Gas  Treatment Expenses  Intestin & Distribution Expenses Intestin & Committee  Expenses Intestin & Committee  Expenses Intestin & Committee  Intertin & Comm	33,841 101,754 231,194 94,596 280,835 748,236 150,254	898,352 451 328,594 699,002 1,279,017 1,069,078 2,058 1,089,706 6,012,270 1,839,800	30.218 13.480 45,815 45,815	4 4 6 6 1 6 1 1 1 1 1 1 1 1 1 1 1 1 1 1	(a) (a) (a) (a) (b) (b) (b) (b) (b) (b) (b) (b) (b) (b	* * * * * * * * * * * * * * * * * * *	66 68 88 88	6		
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Transment Expenses	Transmit Expenses 617-15 326.41 326.354 30.219 (14.421) (	richased Gas  For Treatment Expenses Intestion & Distribution Expenses Intestion & Distribution Expenses Intestion & Distribution Expenses Intestion & Committee &	33,841 101,754 231,194 94,596 280,635 748,236 150,254	328.594 699.002 1.279.017 1.069.078 2.058 1.083.706 8.012.270 \$	30,219 13,430 45,815 \$	(14.821)		9 3 3 4 4 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	(6) (6) (6) (7) (8) (8) (8) (8) (8)	© • * . • • • • • • • • • • • • • • • • •		
Treatment Expenses	The country   Expenses   1,497,452   221,159   1,278,017   1,278	Treatment Expenses 1047,246 Institut & Distribution Expenses 1047,422 Trei Accounting Expenses 1047,422 Trei Accounting Expenses 1040,232 Income & Maintenence Expenses 1,409,232 Income Taxes 1,699,546 Income Taxes 105,071 Income Taxes 105,071 Income Taxes 11,339 Income Taxes 11,339	231,194 231,194 231,194 231,194 231,194 14,596 150,254	669,002 1,279,017 1,069,078 1,069,058 6,012,270 1,839,800	45,815 \$	(14,927)		(42.825)	88.	10,50		
Training Expenses 1 (1972) 23 (1144   1272017 (14427)	Treatment Expenses 15/17/20 22/194 1/27/2017 (14.227) (14	Treatment Expenses instance & Distribution Expenses instance & Distribution Expenses Expense istrative & General Expenses it and Expenses is Amortization Expenses if income Taxes income T	231,194 94,596 280,835 748,236 150,254	1,279,017 1,069,078 2,058 1,683,206 6,012,270 1,839,800	80 10 10 10 10 10 10 10 10 10 10 10 10 10	(14,927)		(42,325)		10.50	***	
## Country Expenses    1,000,000   1,000,0	1,44   1,45	nieston & Disiribution Expenses Inverses Inverse	280,286 280,286 748,236 150,254	1,069,078 2,058 1,883,206 8,012,270 1,839,800	## ## ## ## ##		1 (1) (1) (1) (1) (1) (1) (1) (1) (1) (1	(42,325)	(C)	10.50	•	
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4 Amortization Expenses	1,000   1,00	Expense 2,098 Expense 4,402,573 Ilons & Maintenience Expenses 5,526,1034 Ilons & Maintenience Expenses 1,669,646 I & Amontization Expenses 707,383 Ilonome Taxes 105,071 Income Taxes 311,379 ity Taxes 5,062,663	2800435 748.236 150.254	2,038 1,683,206 6,012,270 \$	2. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1.		(1) (1) (1) (1) (1) (1) (1) (1) (1) (1)	(42,825) (42,825)		10.50		•
Amortization Expenses	Amountainable Expenses   1,000,005   1,0	istrative & General Expenses  \$ 5.64,034  i.8. Amortization Expenses  1,689,648  105,071  income Taxes  1,1379  105,071  intome Taxes  1,1379  105,071  intome Taxes  1,1379  105,071	740.256 8: (150.254	1,839,800	45,815 \$	(144)	9	(42,325)	8	10.50		
Administration Expenses   \$4.044   748,256   10,506   10,506   10,506   10,506   10,506   10,506   10,506   10,506   10,506   10,507   1	Maintenance Expanses   \$5.264,004   \$785,250   \$10,254   \$10,396   \$10,396	ilons & Maintenence Expenses \$ 5.264,034  1.699,546  1.699,546  1.009,546  1.05,071  Income Taxes 105,071  rty Taxes 5.16378	150,254	6,012,270 *	0 1 0 1		•	*	; •	10,50	<b>*.</b>	
1696 646 (190,254 1,439,900 1,430,540 1,439,900 1,430,540 1,439,900 1,430,54	A Annotization Expenses   1,656,546   160,254   1,639,800   1,640,646   160,254   1,639,800   1,640,646   1,640,814   1,640,444   1,640,	1,689,646 1 & Amortization Expenses 1,689,646 105,071 105,071 11,379 11,	150,254	1,839,800	<b>#</b>	·	39	₩.		0.50	•	•
# Amortization Expenses   1689.546   1902-24   1,039,000   1,039,0	## Amontization Expenses  1,000   1,00	1,699,546 1 & Amortization Expenses 1,699,546 100 Taxes 105,071 10,000 Taxes 105,071 11,079 1	(621,448)	7,838,600	•							•
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ing Expenses 107,583 (521,446) 185,907 (521,446)	Income Taxes	107.353 Income Taxes 105.071 inty Taxes 311.379 inty Taxes 3.182.053	(821,448)			Ç				,		
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# 2 Deficients	### Expenses	200.2	(1,033,909)	14.155		4.						2112
ling Exponses 8 2000 4 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	ling Expenses 9 2502 444 (197 241) \$ 1505 605 605 (1/4 271 \$ 1/4 275 \$ 1/5 2	Read Total Control of the Control of	\$ (1,598,331) \$	\$ 965.707	*	*	*	į.				THE PERSON NAMED IN COLUMN
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(2.069) (1.146,444 55.729 1,204,173 (2.069) (2.069) (3.1005,567 318,616 1,204,173 (2.069) (3.090) 56.908 (2.080) (3.1006,551 195,522 1,204,173 (2.08) (3.004,243 1 (683,354) 3 550,679 1 (881,39) (1.021 3 5,022 1 (1.004,243 1 (1.005,04) 3 5,022 1 (1.005,04) 3 5,0	1,148,444 55,729 1,204,173 84,174 84,144 55,729 1,204,173 84,174	-	ı	8 555,605	45,815	(74.927)	10.500		503 US	S (10.50	* 10	4. 431.2
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Term Debt (#2728 #3128   138.512 # 128.527   138.512 # 120.4.173 #	Term Debt (#27724 # 85.728 # 1,504.173 # 1	Term Cleht	55,729	1,204,173	é	H Marie	l. 1	•	: <b>!</b> .		ď.	•
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Korne) - Net (58,908) 68,908 (1,2,089) (1,008,851 (1,108,173 (1,104,173 (1,10	(Income) & Deductions \$ 1,008,851 \$ 195,522 \$ 1,204,173 \$ \$ 1,204,173 \$ \$ 1,204,173 \$ \$ 1,204,173 \$ \$ 1,204,173 \$ \$ 1,204,173 \$ \$ 1,204,173 \$ \$ 1,204,173 \$ \$ 1,044,243 \$ 1,04		TO THE SERVICE OF					;	3	•		,
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Professional Control of Control o	Total Water Revenues	<b>₹</b>	¢				•	67	•		
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aductions: (2,069) (,202,109)  Debt Debt (2,069) (,202,103)  )- Net (2,069) (,202,103)  (2,069) (,202,103)		- 78.20A S			n   1			9.342	884.294 2 12.3		
Dett Dett Dett (2,069) 1,202,103  )- Net (2,069) 1,202,103  (2,069) 1,202,103  (2,069) 1,202,103  (2,069) 1,202,103	tal Operating Expenses erating income	-Super 18 () - 19 ()									
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	otal Other (Income) & Deductions	•	**					21,412 6		59824 3	
	let income	1/1/42/1/						:			

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Adjustiments - T  Adjustiments - T  Ad Filled - T  Strip (26,674) \$  Strip (22,204) \$  Strip (22,204) \$  Strip (22,204) \$  Strip (22,204) \$  Strip (22,409) \$  Strip (22,209)		Z.	(9) Pm E/mis	[G] Adjusted	Ē			(G) Special Income St	Tonners Afficia		2	Z
1 3.555.00 1 (1207 14 12 12 12 12 12 12 12 12 12 12 12 12 12		End of	Adjustments -	Test Year-	Settlement Adj. No. 1	Settlement Adj. No. 2	Settlement Adj. No. 3	Semelifera Adi. No. 4	Settlement Adi. No. 5	Adl. No. 6	Adl. No. 7	Adl. No. 8
1,100   1,10	Operating Revenues		\$ (290,248) \$	3,065,720	15/88				,			
1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,	Commercial		(26,674)	459,139						٠		
1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,	industrial Private Fire Service	15,974	(1,207)	14,787								
### ### ### ### #### #################	Other Water Revenues	- 1		12.480	e 251 m						4	•
### 1991 254 (15.2.204) 3.546560 1 40.7511   1.0.2504   1.0.2511   1.0.2504   1.0.2511   1.0.2504   1.0.2511   1.0.2504   1.0.2511   1.0.2504   1.0.2511   1.0.2504   1.0.2511   1.0.2504   1.0.2511   1.0.2504   1.0.2511   1.0.2504   1.0.2511   1.0.2504	Total Water Revenues		(Suppose)	100'you'e	•					•		
1,251   2,202   2,20	Miscellaneous	- 3	2315	12.441	124 124						**	
1,201   1,20	fotal Operaling Revenues		ď	nan'ancie			! B		?			
1,000   1,00	Operating Expenses											
202,782   292,	Source of Supply Expenses:		9	. C. R.								
Control   Cont	Purchased Water	37,983		38,862								
202,172   202,172   250,	Pumping Expenses:			1								
1,000   1,00	Purchased Power	262,792	¥.	282,792								
Total	Purchased Gas	9		451	477.77	•					٠	
1,000   1,00	Other	80,858		94,464	814,IT							
Column   C	Water Treatment Expenses			13(5)	7,000	(93 K90)						
Continues   Cont	Transmission & Distribution Expenses	-		550,455		7						
Expenses   Color   C	Customer Accounting Expenses	400 0/4		004,020		. •		:	3			
Expenses   197,278   146,185   254,016   22,484   15,249   (21,489)   (23,11)   (18,780   (18,170   (19,114   19,174	Sales Expense	46# PU-	7	724.739	:		(2,311)	118,750	(18.1	6		
197,270   (146,195)   51,093   11,255	Total Operations & Maintenance Expense	\$ 1,990,750		2.246.768	15,249	(51,029)	(2311)	\$ (18,750)	(197)		•	•
### 197.278 (146,185) 51,083  29,304 (16,049) 11,285  \$\$ 50,04 (16,049) 11,285  \$\$ 50,040 (16,049) 11,285  \$\$ 50,040 (16,049) 24,186  \$\$ 50,040 (16,049) 24,										10.01	•	
197.278 (146,195) 51,093 29,304 (16,049) 11,255 155,651 (16,789) 119,773 51,544 (16,789) 119,773 51,544 (16,789) 119,773 52,30	Depreciation & Amortization Expenses	843,577	29,264	672,841								٠
197.270 (144,162) 51,053 125,004 (16,162) 11,255 135,604 (16,769) 12,415 18.24,403 (26,040) 331,056 12.24,403 (26,162) 331,056 12.24,403 (24,403) 331,056 12.24,403 (24,403) 331,056 12.24,403 (26,162) 331,056	Tavas				**							
155,561   (15,769   11,275   19,773	Federal Income Taxes	197,278	.=	51,093								
195,661 (167,70) 119,773 (167,70) 119,77	State income Taxes	29,304	· · ·	11,255								29.21
\$ \$41.00 (1.5.14) \$ 245,195 (1.5.20) \$ (1.5.14) \$ (0.00) \$ (1.5.14) \$ (0.00) \$ (1.5.14) \$ (0.00) \$ (1.5.14) \$ (0.00) \$ (1.5.14) \$ (0.00) \$ (1.5.14) \$ (0.00) \$ (1.5.14) \$ (0.00) \$ (1.5.14)	Property Taxes	135,561	_	119,773								
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359,135 (28,040) 331,096 283 (283) 283 (283) 284 (8183) 284,448 (21,120) \$ 331,096 \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	Total Operating Expenses Operating Income	8 3.241,951 5 578,333	(17/4/4/) (14/0/1/)	5, 3,164,804. 5, 430,278	\$ 53,003	\$ (01,629) \$ 21,629	2311	18,780 18,750		1.00	<b>3</b> (8)	1 (29.2)
283,135 (28,040) 331,096 (28,040) 231,096 (28,040) 231,096 (28,040) (28,040	Offier Income & Deductions:				!							
Term Debt 201,130 (201) 331,006 to 100 to 10	Interest			****	•						4.421	
lerest (24,446) 23/1066 1	Cong-term Debt	261,852 263		90,158								
terest (24,448) 24,448 (21.70) 331,064 (2.7.748) 24,448 (1.7.748) 24,448 (1.7.748) 301,096 (1.7.748) 3.7.748 (1.7.748) 3.748 (1.7.748) 3.748 (1.7.748) 3.7488 (1.7.748) 3.7488	Cher	(26.183)										
(Income) - Net (24,448) 24,448 (Income) & Deductions \$ 308,788 \$ 22,338 \$ 351,096 \$ (Income) & Deductions \$ 28,588 \$ 351,096 \$ (Income) & Deductions \$ 286,888 \$ (187,389) \$ 391,101 \$ (1,508) \$	Total interest			331,056		.i	**	•	•	*		•
(Incorne) & Deductions \$ 308,768 \$ 22,522 \$ 351,096 \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	Other (Income) - Net	(24,448)		***						-		
4. 28.58.58.58.58.58.58.58.58.58.58.58.58.58	Total Other (Income) & Deductions	\$ 308,768					•••			•		•
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										(A) 44 (MI) H	i ya Timanaya	

ARIZONA WATER COMPANY Test Year Ended December 31, 2011 Income Statement Pro Forms Adjustments

Supporting Schedules:

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ARIZONA WATER COMPANY Test Yesr Ended December 31, 2011 Income Statement Pro Forma Adjustments	Operating Revenues Residential Commercial Industrial			Source of Supply Expenses: Source of Supply Expenses: Other	Purripling Expenses: Purchased Power Purchased Gas	Water Trestment Expenses Water Trestmeston & Distribution Expenses Customer Accounting Expenses Seles Expense Administrative & General Expenses	Total Operation & Amortization Expenses	State income Taxes State income Taxes Property Taxes	Total Taxes Total Operating Expenses Operating income	Other Income & Deductions: Interest	Long-lem Debt Short-Tem Debt Other Total interest	Other (Income) - Net Total Other (Income) & Deductions Net Income

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### Comparison of Adjustments - Test Year - Bellietinan Belliet	Vo. 2 Adi. No. 3 Adi. No. 4 Adi. No. 5 Adi. No. 7 Adi. No. 9
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\$39,901 5,137 45,038 885 \$535,860 \$222,130 (8,802 \$1,305,387 (10,508) 793,425 (0,580) \$1,177 (42,504) 748,681 \$1,177 (48,623) 1,165,284 \$1,0075 (375,281) 134,814 \$1,508,242 (1,139,902) 8,165,988 \$1,508,242 (1,139,902) 8,165,988 \$1,508,242 (1,139,902) 8,165,381 \$1,508,242 (1,139,902) 8,165,381 \$1,508,242 (1,139,902) 8,163,778 3,22,889 \$1,22,437 (1,139,902) 8,163,778 3,22,889 \$1,22,843 (1,139,902) 8,163,778 3,22,889 \$1,22,843 (1,139,902) 8,163,778 3,22,889 \$1,22,843 (1,139,902) 8,163,778 3,22,889 \$1,22,843 (1,139,902) 8,163,778 8,183,077 \$1,22,843 (1,139,902) 8,163,077 8,183,077	
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\$ \$223.564 \$ 422.718 \$ 6,765.507 \$ 30,568 \$ 1,045,969 120,989 1,166,958 1,16	
\$ \$223.264 \$ 422.718 \$ 9,165,958	(191)
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ARIZONA WATER COMPANY Test Year Ended December 31, 2011 Income Statement Pro Forma Adjustments

northin Schedules:

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Supporting Schedules:

		Settlement Income States	3	MANAGE WALES	1	Total Settlement	Adjusted Test Year-	Required Incresse - Settlement	Adjstď w/ Increase
Operating Revenues Residential Commercial Industrial Private Fire Service Other Water Revenues Total Water Revenues		*	•			63.203	4,933,768 1,544,126 3,699 45,049 4,820 6,531,492		
Miscellaneous Total Operating Revenues	-			and the second second		82773	6,592,779	S 1.821,794	8,214,573
Operating Expenses Source of Supply Expenses: Purchased Water						€.88 €.88	45,923		45,923
Other Pumping Expenses: Purchased Power	•					18.802	635,580 250,932		635,580 250,932 406,305
Other Water Treatment Expenses Transmission & Distribution Expenses Customer Accounting Expenses Sales Expense					, at	(53,288)	605,205 695,283 548,622 1,177 1,177 816,765		695.293 548,622 1,177 916,765 3,700,587
Administrative & General Expenses Total Operations & Maintenance Expense Depreciation & Amortization Expenses		***			<b>*</b>	424	1,187,382		1,167,382
Taxes Federal Incorne Taxes State Incorne Taxes State Incorne Taxes Property Taxes Other	41,799 9,208 \$ - 61,007 \$				*	41,799 9.208 2.059 83.066	176,613 38,806 214,806 85,082 515,407	507.416 111.779 17.614 \$ 638,809	084,029 150,886 232,420 85,082 1,152,216
Total Operating Expenses Operating Income	5 (1) (201 S S S S S S S S S S S S S S S S S S S				7		1,256,423	28.18	2 194,408
Other income & Deductions: Interest: Long-Term Debt Short-Term Debt Other		**************************************	<u>.</u>		•	(6,491)	868,587		866,587 \$ 856,687
Total interest Other (Income) - Net Total Other (Income) & Deductions Net Income	1100/19					6.491) 4.	272.837	986.1988 	8 866,687 1.327,122

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ARIZONA WATER COMPANY Test Yest Ended December 31, 2011 Settlement Income Statement Adjustment No. 1 Reverse Company Proposed Weather & Usage Normail

Exhibit Scriedule: Settlement C-2 Appendix Page 1 of 12.

[8]	(Decrease) (Decrease) (Revenue) (10,487 (4,466 (1)20 (1,249 (1,011)	\$ 131,864 \$ 131,864	(Decrease)
Verde Velley [B]	(Decresse) (Decresse) (n Revenue 52,810 6,285 2,794 2,794 1,011	\$ 69,203	Increase / (Decrease) in Excesses) in Excesses s
Navelo	(Decrease) (Decrease) (Decrease) (Agenting 1,746 1,746 1,045	\$ 68,751	(Decress) (Cecre
	Class of Service Residential 508 x 3/4 -inch Residential 1.5-inch Residential 1.5-inch Residential 3-inch Residential 3-inch Residential 4-inch	Total Residential  Total Increase (Decrease) in Revenue	19 22 Class of Expense 23 Source of Supply 24 Pumping 26 Veter Treatment 27 Total Residential 30 Total increase (Decrease) in Expenses

Exhibit. Schedule: Settlement C.2 Appendix Page 2 of 12

<u>ত</u>	(Decresse)	(21,629) (53,298)	(74,927)	TA MA	(74.827)
	<u>=</u> 0	•	45		***
<u>[6]</u>	Staff Recommended Adustment	47,107	60,013	60.013	
	8 2	•	•	•	
¥	Company Proposed T&D Maintenance - Expense -	68,736 69,204	134,940	134.945	
			***		
		oup :- Valley	Subtotal		
	System	Northern Group Nevajo Vende Velley		Total	

(1,211)

Total

Exhibit Schedule: Settlement C-2 Appendix Page 4 of 12

Northern Group

Northern Group Navalo Verde Valley Total

\$ (18,750) \$ (25,575) \$ (42,325) \$

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9	Arruel Expense -	\$ 63,236 83,956	\$ 147,192	10/48
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IVI.	Northern Gr. Rate Cests Expense Estimate	189,707	\$ 441,576	S. 441.578

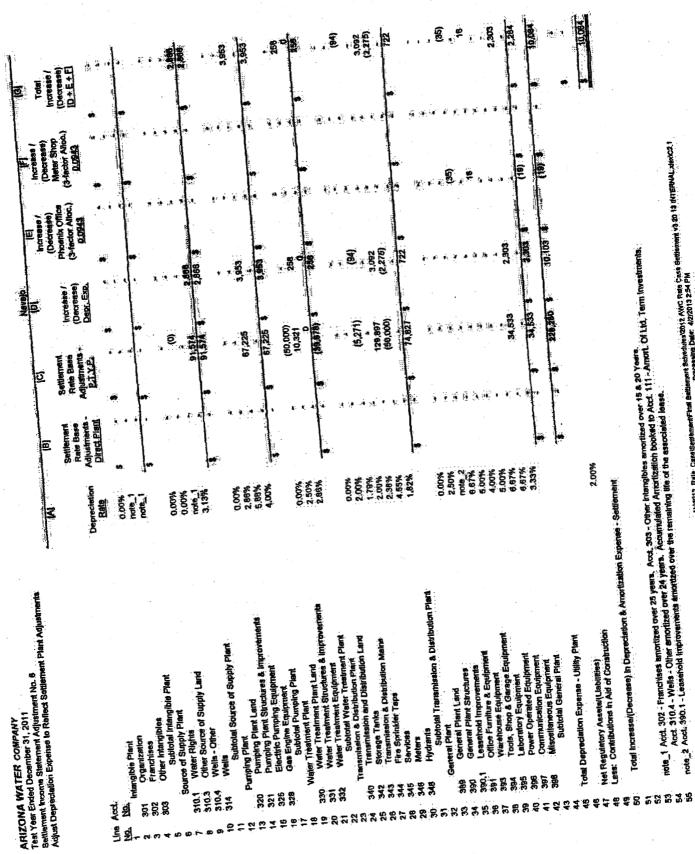
ARIZONA WATER COMPANY Test Year Ended December 31, 2011 Settlement Income Statement Adjustment No. 5. Settlement Recommended Rate Case Expense

Exhibit Settlement C.2 Appendix Schedule: Settlement C.2 Appendix

Line System

2 Northern Group
3 Northern Group
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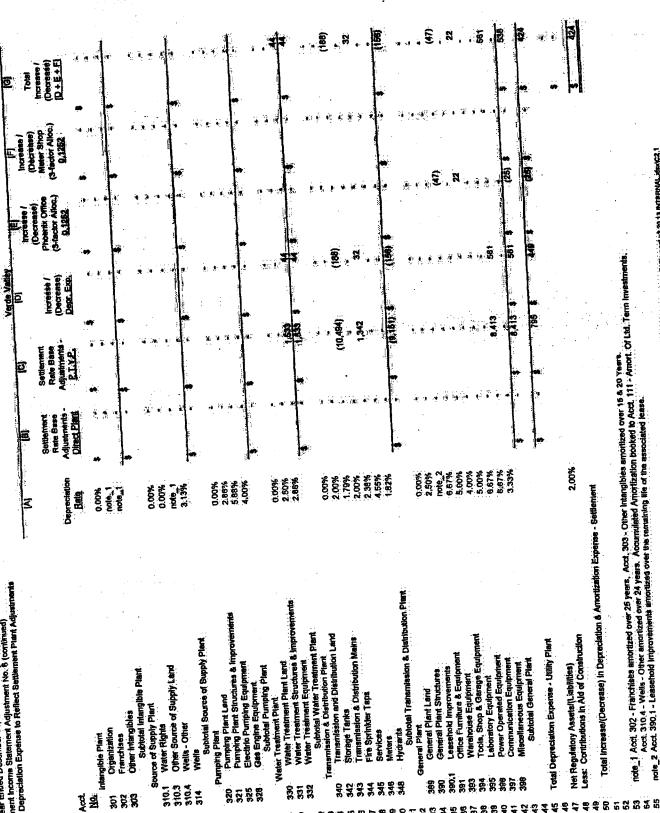
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NIGO12, Raite, Casel Settlement First Schoolvies 2013 AVIC Rate Crase Settlement of 20 13 IATERNAL SANICE 3

Supporting Schedules.

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note 1 Act. 302 - Franchists amortized over 25 years. Acct. 303 - Other intangibles amortized over 15 & 20 Years. In Investments.

Acct. 310.4 - Wells - Other amortized over 24 years. Accumulated Amortization booked to Acct. 111 - Amort. Of Ltd. Term investments. note 2 Acct. 330.1 - Lessehold improvements amortized over the remaining life of the associated lesse.

meni Schedules 2012 AVIC Rate Cass Sattlemeni và 2013 INTERVAL dexC2. 1 Processing Date: 42/2013 254 F.M. N-12012 Rate\_Case

ARIZONA WATER COMPANY Test Year Ended December 31, 2011 Settlement Income Statement Adjustment No. 6 (continued) Adjust Depreciation Expense to Reflect Settlement Plent Adjust

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390 General Plant Structures 390 General Plant Structures 390 Lessehold Improvements 391 Variebouse Equipment 392 Variebouse Equipment 393 Variebouse Equipment 393 Variebouse Equipment 394 Tools, Shop & Gerage Equipment 395 Leboratory Equipment 396 Authoritication Equipment 397 Communication Equipment 398 Authoritication Equipment 398	390 General Plant Structures 390 Tessehold Improvements 391 Varietious Equipment 392 Leboratory Equipment 393 Leboratory Equipment 394 Tools, Shop & General Equipment 395 Leboratory Equipment 396 Leboratory Equipment 397 Communication Equipment 398 Niscellaneous Equipment 398 Leboratory Equipment 398 All Communication E	389	2.50%	. ·			
290.1 Leasehold improvements 290.1 Leasehold improvements 290.2 Leasehold improvements 290.3 Tools, Shop & Gerage Equipment 290.4 Varietoviss Equipment 290.5 Tools, Shop & Gerage Equipment 290.5 Laboratory Equi	290.1 Lessebord improvements 391 Office Furniture & Equipment 5,00% 392 Versions Equipment 6,00% 393 Tools, Shop & Gerage Equipment 6,00% 394 Tools, Shop & Gerage Equipment 6,00% 395 Laboratory Equipment 6,00% 396 Laboratory Equipment 6,00% 397 Communication Equipment 3,33% 398 Miscelleneous Equipment 3,33% 399 Miscelleneous Equipment 3,33% 399 Miscelleneous Equipment 6,00% 390 Miscelleneous Equipment 7,200 390 Miscelleneous Equipment 7,200 390 Miscelleneous Equipment 6,00% 390 Miscelleneous Equipment 7,200 390 Miscelleneous Equipment 6,00% 390 Miscelleneous 6,00% 390 M	390 General Plant	riote, 2		(5.620)	(375)	
Office Furnitaria & Equipment 3.00%  Warehouse Equipment 4.00%  1953 Varietouse Equipment 5.00%  1954 Leboratory Equipment 5.00%  1955 Leboratory Equipment 5.00%  1956 Power Operated Equipment 5.00%  1957 Communication Equipment 6.67%  1958 Masselianeous Equipment 7.04 Depreciation Expense - Littlity Plant 1.1289  1959 Authorial General Plant 5.00%  1950 Power Operated Equipment 6.67%  1950 Power Operated Equipment 7.04 Depreciation Expense - Settlement 7.04 Increased/Decrease) in Depreciation & Amortization Expense - Settlement 7.04 Increased/Decrease) in Depreciation & Amortization Expense - Settlement 7.04 Increased/Decrease) in Depreciation & Amortization Expense - Settlement 7.04 Increased/Decrease) in Depreciation & Amortization Expense - Settlement 7.04 Increased/Decrease) in Depreciation & Amortization Expense - Settlement 7.04 Increased/Decrease) in Depreciation & Amortization Expense - Settlement 7.04 Increased/Decrease) in Depreciation & Amortization Depreciation Provincial Increased/Decrease) in Depreciation & Amortization Depreciation Provincial Increased/Decrease) in Depreciation & Amortization Depreciation Provincial Increased/Decrease) in Depreciation & Amortization & Amortization & Amortization Depreciation & Amortization &	1991 Office Furniture at equipment 5,00% 1993 Variethouse Equipment 5,00% 1995 Leboratory Equipment 5,00% 1995 Leboratory Equipment 5,00% 1996 Communication Equipment 6,67% 1996 Alexandration Equipment 3,33% 1997 Assets/(Labilities) 1998 Alexandration Expense - Utity Plant 1998 1998 Total Increase/(Decrease) in Deprediation & Amortization Expense - Settlement 1998 1998 Amortization Expense - Settlement 1998 1998 Amortization Expense - Settlement 1998 1999 Amortization Expense - Settlement 1998 1999 Amortization & Amortization Expense - Settlement 1998	390.1 Leasenoid impr	6.67%	<b>.</b>	21	<u>.</u> }	
Warehouse Equipment 5.00% 1.00	1993 Warehouse Equipment 4,00% 1994 Tools, Shop & Gerage Equipment 5,00% 1995 Laboratory Equipment 6,67% 1996 Powier Operated Equipment 6,67% 1997 Communication Equipment 3,33% 1998 Miscellaneous Equipment 3,33% 1998 Miscellaneous Equipment 3,33% 1998 Miscellaneous Equipment 7,580 1998 Miscellaneous Miscellan	391 Office Furniture	9.00%	Æ.∵	766.7	2	
1995 Leboratory Equipment 6,67% 1995 Leboratory Equipment 6,67% 1996 Power Obersted Equipment 9,897 1997 Communication Equipment 9,897 1998 Miscellaneous Eq	394 Tools, Since Continuation C	393	4.00.4	€:	150	nij s	
Sec Dever Operator Equipment 8,67% Sec Dover Operator Equipment 9,529% Subtonal Capter Equipment 9,529% Miscelleneous Equipment 9,529% Subtonal General Plant Subtonal Capter Section Expense - Settlement 1,70tal Depreciation Expense - Utility Plant 1,70tal Increase/(Decrease) in Depreciation & Amortization Expense - Settlement 1,70tal Increase/(Decrease) in Depreciation & Amortization Expense - Settlement 1,70tal Increase/(Decrease) in Depreciation & Amortization Expense - Settlement 1,70tal Increase/(Decrease) in Depreciation & Amortization Expense - Settlement 1,70tal Increase/(Decrease) in Depreciation & Amortization Expense - Settlement 1,70tal Increase/(Decrease) in Depreciation & Amortization Expense - Settlement 1,70tal Increase/(Decrease) in Depreciation & Amortization Expense - Settlement 1,70tal Increase/(Decrease) in Depreciation & Amortization Expense - Settlement 1,70tal Increase/(Decrease) in Depreciation & Amortization Expense - Settlement 1,70tal Increase/(Decrease) in Depreciation & Amortization Expense - Settlement 1,70tal Increase/(Decrease) in Depreciation & Amortization Expense - Settlement 1,70tal Increase/(Decrease) in Depreciation & Amortization Expense - Settlement 1,70tal Increase/(Decrease) in Depreciation & Amortization Expense - Settlement 1,70tal Increase/(Decrease) in Depreciation & Amortization Expense - Settlement 1,70tal Expense - Settlement 1,70tal Increase/(Decrease) in Depreciation & Amortization Expense - Settlement 1,70tal Expense -	295 Laboratory Equipment 6.67% 396 Laboratory Equipment 3.33% 397 Communication Equipment 3.33% 398 Miscelleneous Equipment 3.33% 398 Miscelleneous Equipment 3.33% 300 Subtotal General Plant Subtotal General Plant Subtotal General Plant Subtotal General Plant Total Increase/(Liabilities)  Total Increase/(Decrease) in Depredation & Amortization Expense - Settlement Total Increase/(Decrease) in Depredation & Amortization Expense - Settlement	394	200%	•		•	
Sec Power Operated Edupment 3.33% (1,286)  Set Communication Equipment 3.33% (1,286)  Subtotal General Plant Subtotal General Plant Subtotal General Plant Subtotal General Plant Total Depreciation Expense - Utility Plant Figure Annotation Expense - Settlement Total Increase/(Decrease) in Depreciation & Amortization Expense - Settlement Total Increase/(Decrease) in Depreciation & Amortization Expense - Settlement Total Increase/(Decrease) in Depreciation & Amortization Expense - Settlement Total Increase/(Decrease) in Depreciation & Amortization Expense - Settlement Total Increase/(Decrease) in Depreciation & Amortization Expense - Settlement Total Increase/(Decrease) in Depreciation & Amortization Expense - Settlement Total Increase/(Decrease) in Depreciation & Amortization Depreciation & Amortization Depreciation Profile	Sec Power Operated deputation (1,286)  Set Miscellencous Equipment (1,286)  Subtotal General Plant Subtotal General Plant (1,286)  Total Uppreclation Expense - Utility Plant (1,286)  Total (increase/(Decrease) in Depreclation & Amortization Expense - Settlement (1,286)	395	6.67%				
Miscelland September 1 (1,286)  Subtotal General Plant  Subtotal General Plant  Total Increase/(Decrease) in Depredation & Amortization Expense - Settlement  Total Increase/(Decrease) in Depredation & Amortization Expense - Settlement  Total Increase/(Decrease) in Depredation & Amortization Expense - Settlement  Total Increase/(Decrease) in Depredation & Amortization Expense - Settlement  Total Increase/(Decrease) in Depredation & Amortization Expense - Settlement  Total Increase/(Decrease) in Depredation & Amortization Expense - Settlement  Total Increase/(Decrease) in Depredation & Amortization Expense - Settlement  Total Increase/(Decrease) in Depredation & Amortization Expense - Settlement  Total Increase/(Decrease) in Depredation & Amortization Expense - Settlement  Total Increase/(Decrease) in Depredation & Amortization Expense - Settlement  Total Increase/(Decrease) in Depredation & Amortization Depredation Expense - Settlement  Settlement  Total Increase/(Decrease) in Depredation & Amortization Depredation Expense - Settlement  Total Increase/(Decrease) in Depredation & Amortization Depredation Expense - Settlement  Total Increase/(Decrease) in Depredation & Amortization Expense - Settlement  Total Increase/(Decrease) in Depredation & Amortization Expense - Settlement  Total Increase/(Decrease) in Depredation & Amortization Expense - Settlement  Total Increase/(Decrease) in Depredation & Amortization Expense - Settlement  Total Increase/(Decrease) in Depredation & Amortization Expense - Settlement  Total Increase/(Decrease) in Depredation & Amortization Expense - Settlement  Total Increase/(Decrease) in Depredation & Amortization Expense - Settlement  Total Increase/(Decrease) in Depredation & Amortization Expense - Settlement  Total Increase/(Decrease) in Depredation & Amortization Expense - Settlement  Total Increase/(Decrease) in Depredation & Amortization Expense - Settlement  Total Increase - Settlement  Total Increase - Settlement  Total Increase - Settlement  Total Increase - Settlement  Total In	Ser Communication requirement 3.33% (1.286)  Subtotal General Plant  Total Depreciation Expense - Utility Plank  Total (increase)(Decrease) in Depreciation & Amortization Expense - Settlement	396	6.67%	•:			
Subtorial General Plant  Subtorial General Plant  Total Depreciation Expense - Utility Plant  Total Increase/(Decrease) in Depreciation & Amortization Expense - Settlement  Total Increase/(Decrease) in Depreciation & Amortization Expense - Settlement  Total Increase/(Decrease) in Depreciation & Amortization Expense - Settlement  Total Increase/(Decrease) in Depreciation & Amortization Expense - Settlement  Total Increase/(Decrease) in Depreciation & Amortization Expense - Settlement  Total Increase/(Decrease) in Depreciation & Amortization Expense - Settlement  Acct. 302 - Franchises amortized over 25 years. Accd. 303 - Other Interruption biological to Acct. 111 - Amort. Of Liti, Term Investments.  Acct. 310.4 - Wells - Other amortized over 25 years. Accd. 303 - Other Interruption Billion Best Control Interruption Best Control Interruption Best Control Interruption Best Control Interruption Billion Best Control Interruption Best Control Interruption Best Control Interruption Best Control Interruption Billion Best Control Interruption Best Control Interruption Billion Bi	998 Miscellandous equipment Subtotal General Plant Total Depreciation Expense - Utility Plant Net Regulatory Assets/(Liabilities) Total Increase/(Decrease) in Depreciation & Amortization Expense - Settlement	387	3,33%				
Total Depreciation Expense - Utility Plank Net Regulatory Assets/(Liabilities)  Total (increase/(Decrease) in Depreciation & Amortization Expense - Settlement  Total (increase/(Decrease) in Depreciation & Amortization Expense - Settlement  Total (increase/(Decrease) in Depreciation & Amortization Expense - Settlement  Total (increase/(Decrease) in Depreciation & Amortization & Acct. 302 - Other Interruption Expense - Settlement  Total (increase/(Decrease) in Depreciation & Amortization & Acct. 302 - Other Interruption Expense - Settlement  Total (increase/(Decrease) in Depreciation & Amortization & Acct. 303 - Other Interruption Expense - Settlement  Acct. 302 - Franchises amortized over 25 years. Acct. 303 - Other Interruption booked to Acct. 111 - Amort. Of Lid., Term Investments.  Acct. 302 - Franchises amortized over 25 years. Accd. 303 - Other Interruption booked to Acct. 111 - Amort. Of Lid., Term Investments.	Total Depreciation Expense - Utility Plant Net Regulatory Assets/(Liabilities) Total (nortesse/(Decresse) in Depreciation & Amortization Expense - Settlement	398 Miscellaneous			•		
Total Depreciation Expense - Utility Plant  Net Regulatory Assets/(Liabilities)  Net Regulatory Assets/(Liabilities)  Total Increase/(Decrease) in Depreciation & Amortization Expense - Settlement  Total Increase/(Decrease) in Depreciation & Amortization Expense - Settlement  Total Increase/(Decrease) in Depreciation & Amortization Expense - Settlement  Total Increase/(Decrease) in Depreciation & Amortization & Accuration Foods - Settlement  Total Increase/(Decrease) in Depreciation & Amortization & Accuration Foods - Settlement  Total Increase/(Decrease) in Depreciation & Amortization & Accuration Foods - Settlement  Total Increase/(Decrease) in Depreciation & Amortization & Accuration Foods - Settlement  Total Increase/(Decrease) in Depreciation & Amortization & Accuration Foods - Settlement  Total Increase/(Decrease) in Depreciation & Amortization & Accuration Foods - Settlement  Total Increase/(Decrease) in Depreciation & Amortization Foods - Settlement  Settlement  Total Increase/(Decrease) in Depreciation & Amortization Foods - Settlement  Accuration Foods - Settlement  Accuration Foods - Settlement  Accuration Foods - Accuration Foods - Accuration Foods - Settlement  Accuration Foods - Ac	Total Depreciation Expense - Utility Plant Net Regulatory Assets/(Liabilities) Total (nortesse/(Decrease) in Depreciation & Amortization Expense - Settlement	SIEDORIS			(1,288)	(LOZ)	
Net Regulatory Assets/Liabilities)  Total increase/(Decrease) in Depreciation & Amortization Expense - Settlement  Total increase/(Decrease) in Depreciation & Amortization Expense - Settlement  Total increase/(Decrease) in Depreciation & Amortization Expense - Settlement  Total increase/(Decrease) in Depreciation & Amortization Booked to Act. 111 - Amort. Of Ltd., Term Investments.  Incle. 1 Acct. 302 - Franchises amortized over 25 years. Acct. 303 - Other Interpretation booked to Acct. 111 - Amort. Of Ltd., Term Investments.  Acct. 310.4 - Wells - Other amortized over 24 years. Acct. 303 - Amortization booked to Acct. 111 - Amort. Of Ltd., Term Investments.	2			÷:	E STATE OF THE STA	•.	
Total Increase/(Decrease) in Depreciation & Amortization Expense - Settlement  Total Increase/(Decrease) in Depreciation & Amortization Expense - Settlement  note - 1 Acct. 302 - Franchises amortized over 25 years. Acct. 303 - Other interrigibles amortized over 15 & 20 Years.  Acct. 310.4 - Wells - Other amortized over 24 years. Acct. 303 - Acct. 310.4 - Wells - Other amortized over 24 years. Acct. 310.4 - Wells - Other amortized over 24 years. Acct. 310.4 - Wells - Other amortized over 24 years. Acct. 310.4 - Wells - Other amortized over 24 years.	<u> </u>					(30)	٠.
Total		Ž					
Total 1			r Expense - Sememen		- '		
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rote 1		D C.					
Tote 1							
Total			Arrest 303 - Other Intengibles	amortized over 15 6	20 Years.	stments	
	Tote	Tote	rs. Accumulated Amortization	in booked to Acct. 1	11 - Amont, Or Liu, 148111 IIII		
			over the remaining life of the	associated lease.			
					The state of the s	THE PARTY OF THE PRINCE	

ARIZONA WATER COMPANY Test Year Ended December 31, 2011 Settlement Income Statement Adjustment No. 6 (continued) Adjust Deprectation Expense to Reflect Settlement Plant Adjustments

Adlust	Deprec	Adjust Depreciation Expense to Reflect Settlement Plant Adjustments			Meter Strop		
	;		M	<b>3</b>	· ਹੁ	2	
			**************************************	Settlement Rate Base	Settlement Rate Base Adhistments	(Decresse)	
	Acd.		Rate	Direct Plant	BIXE	Dept. Exp.	
월.	를 결	Interiotible Plant	o hrek			6	
. 10		Organization	note, 1	• ×		e vic	
eo :	302		note				
4 :	200	Sylday Intended Plant					
p à	Œ.		Yes C	*		yde - 1	
o in	310:1	Water Rights	2000	•	<b>**</b>	獎 ?	
- #	3,03		COOM	c •	. <b>.**</b>	je d	
	310.4	Wells - Other	3.13%	i.			
유	314	Wells		•	<i>y</i>	i.	
<b>=</b> !	•			:	3	***	
2 5		_5	0.00%	•	•	***	
2 :	32.6	principa Plant Structures & Improvements	2.85%	. 24	· ••	•	
įų	30,6	Flectific Pumping Equipment	2000	: 46 :	34 34 14 33		
2 4	328		£.00.4				
-		Subfotal Pumping Plant		•		·	
<b>E</b>	_	Water Treatment Plant	%UU U	٠	‰ <b>™</b> ä	i d	
2 4	330	Water Treatment Plant Land	2.50%		<b>L</b> .,		
2	331	Water Treatment Structures & Improvertients	2.86%	•	22	A STATE OF THE STA	
2	332	Water Treatment Equipment		*	3		
22					· , ,	jed ov	
23		Transmission & Distribution Piett	9600.0	À	ė, i		
24	340		2.00%	•	ė į		
8	342	Otorage Letter & Distribution Mains	1.79%	* :	• .	- 環	
8 1	0.40	The Social Course of the Cours	2.00%	<b>演</b> かり	• •		
7 2	4	Secions Contractions	2.38%	•	. 101	<b>30</b>	
9 6	2	0.00	8.55%	<b>4</b> . 1			
9 6	348	Hydrants	1.62%	•	S	a.	
7	}	Subtotal Transmission & Distribution Plant		•	·		
32		General Plant	%00 O	*	Š	( <b>4</b> 6) - 1	
66	389	General Pid	1605 G	·	<b>*</b>	<b>e</b> j :	
8	380	General Pie	note 2	*	*		
35	390	Leasehold	962%	独	*	ió ♥.	
36	160	Office Furn	2.00%	糧			
37	393		4.00%	<i>;</i> ₩.	<b>3</b> 4 8	g Pa	
88	394		2.00%	€	<b>∳</b> €	1 12	
B :	6	Dates	8.67%	*	•		
2:	200	•	6.67%		Ř,	The second secon	
4 5	402	Rescellaneous Eculoment	3.33%			A STATE OF THE STA	
7 6							
3 4						Control of the Contro	
. A	Ċ	Total Depredation Expense - Utility Plant		*		<b>4</b>	
9		Net Regulatory Assets/(Liabilities)					
47		Settlement Experies - Settlement	onse - Settlement				
49		Total Increase/(Decrease) in Depremental or American					
49							
8							
5							
52		A A 202 Essentises smortized over 25 years. Act. 3	03 - Other intangibles at	mortized over 15 &	Zo Years.		
1. N		Trote 1 Act. 302 - Trainforces minoritied one 24 years. Accuminated Amortization booked to Act. 111 - Amort, Ol Ltd. 1 ern invessmens. Act. 310.4 - Wells - Other smoothed one 24 years. Accuminated Amortization booked to Act. 310.4 - Wells - Other smoothed one 24 years.	cumulated Amortization	booked to Acct. 11	1 - Amort, Of Ltd. 1 em	integral of the state of the st	
5 40		its 2 Accl, 390 1 - Leasehold Improvements amortized over the	ne remaining life of the a	ssociated lease.		•	
5							

N.2012, Parts\_Case/Settlement/Find Settlement Schrödins/2012 ANC Rate Case Settlement v3.20 13 INTERNAL MAXC2.1

of 12			
Schedule: Settlement C-2 Appenier. Page 10 of 12	Increase / (Decrease) Office: Interest Exp.		(2,069)
Schedule: Schedu	Test Year Other interest - As Filled	, John H. (1)	
	increase / (Decrease) Short-Term interest Exp.		
	Adjusted T.V. Short-Tem Interest - As Filed		
hierest (9)	Synchronized Interest - Short-Term Delt	• 10	
menticites:	Weighted Cost of Short Term Debt Sch. D-1	0.00%	
Ketten Groth 9	86 / 686) Ferm	4.427	(2,069)
	Adjusted T.Y. Long-Term Interest -	\$ 331,098 873,077	\$ 1,204,173
	Synchronized Interest - Long-Term Debt	\$ 335,517 886,587	\$ 1,202,103
kdjustmenta	Weighted Cost of Long- Term Deldi Sch. D-1	2000 B	
en No. 7 set Settlement Rate Base A	Settlement Orig. Cost. Rate Base Sch. B-1 Lh. 23	10,060,534	36,045,285
ARIZONA WATER COMPANY Test Year Ended December 31, 2011 Settlement Innome Statement Adjustment No. 7 True-up Synctronized Interest to Reflect Settlement Rate Base Adjustments		Northern Group Northern Group Navejo Nervie Vellev	Subtotal Total
ARIZON Test Year Sattlemen True-up S	k rise	- 0 to 4 t	v ⊕ ≻ ⊕ ⊕ ± 5 ±

Incresse/(Decresse) in Expenses

Exhibit Schedule: Settlement C-2 Appendix Page 11 of 12

ARIZONA WATER COMPANY Test Yeer Ended December 31, 2011 Settlement Income Statement Adjustment 19-8 Adjust Property Taxes

nem Schedules 2012 AWC Rate Cess Settlement v3 20 13 MTERIVAL JOSYCZ () Processing Date: 4/22013 £54 PM

	3 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Verde Valley	Northern Group
	(A) Navelo (B)		- payenfay
	Adjusted - Settlement	T.V. Adjeto" Settlement	T.Y. Adjata' Settlement Settlement w/ Incress
	Settlement w Indeeds	1	
	\$ 3,663,832 \$ 3,663,832	\$ 6.592,779 \$ 6.562,779 8 8 803 770 6.592,779	10,258,811 10,258,611
Adjusted Revenues - Settlement			
Adjusted Revenues - Settlement / Settlement Novellues		\$ 6.592,779 \$ 7,139,377	\$ 10,256,811 \$ 11,003,387
Average Revenue	3,883,832		\$ 20,513,221 \$ 22,008,774
Average Revenue Multiplied by 2	\$ 7,327,663 \$ 7,740,020	\$ 19,185,558 \$ 14,200,704	
			•
- ~			
5 Deduct:			
Net Book Value of Herspolizuon Lymphisms			- 20 008.774
	\$ 7,327,663 \$ 7,740,020	\$ 13,185,558 \$ 14,266,754	
9 Full Cash Value		20.0%	20.0% 20.0%
Assessment Retio	20.0%		4,102,644 4,401,355
2.2 Accessed Value	1,466,533 1,548,004	7,637,112	888%
	10.17% 10.17%	8.15% 8.15%	
is Properly Tax Rate		232.420	363,790 389,788
is Property Tax	148,985 157,369		
18 Tar Co Cart	<b>★</b>	© 20 And Company of the Company of t	
	S 148 985 S 157,369	\$ 214,808 \$ 232,429	\$ 283,786 \$ 389,786
31 Total Property Laxes - Calculated		### 670	332,520
32 Adjusted Property Taxes - As filled	119,773	232,741	1421
34 increase / (Decrease) in T.Y. Property Taxes - Settlement	\$ 29,211	2,059	var. coe
37 Adiusted Property Taxes at New Rates - Settlement	148,985	<b>214,808</b>	- 1
38 39 Inc. / (Dec.) in Property Taxes at New Rates - Settlement.	8.384	119'2) 8	068/07
40 44 As of Change in Revenue Requirement	1.38%	<b>%80</b> 1.	
42			

Property Tax rates updated to reflect current known & measurable rates.

ARIZONA WATER COMPANY Test Year Ended December 31, 2011 Settlement Income Statement Adjustment IS-9 Adjust Income Taxes

ess Arizona Income Taxes (Ln. 7) ederal Taxable Income (Ln. 10 - Ln. 11) ederal income Before Taxes (Ln. 5)

15% Bracket from \$1 to \$50,000 25% Bracket from \$50,001 to \$75,000 34% Bracket from \$75,001 to \$100,000 39% Bracket from \$100,001 to \$35,000 34% Bracket over \$335,000

Total Income Tax (Ln. 11 + Ln. 21)

Effective Income Tax Rates Tex Rate (Ln. 24 + Ln. 5)

State (Ln. 7 + Ln. 5) Federal (Ln. 21 + Ln. 5)

Adjusted Federal Income Texes - As Filed (Sch. C-2, Ln. 30) Increase / (Decrease) in Federal Income Taxes (Ln. 21 - Ln. 33)

increase / (Decrease) in State Income Taxes (Ln. 11 - Ln. 36) Idjusted State Income Taxes - As filed (Sch. C-2. Ln. 31)

increase / (Decrease) in State Income Taxes (Ln. 11 - Ln. 42) Adjusted State Income Taxes - Settlement Adjusted Federal Income Taxes - Settlement Increase / (Decrease) in Federal Income Taxes (Ln. 21 - I.n. 39) Federal Income Taxes: Federal Income Taxes:

71,840 -38.60% 323 177 284,836 264,836 38.60%

51,093 20,747 6.97% 31.63% 6.97% 31.63%

562,636 335,517 227,119 227,119 15,826 \$ 1,172,787 335,517 837,270 837,270 58,341 778,929 58,341

38.60%

38.60%

31:63%

6.97%

8.97% 31.63%

134,814

176,613 507,416

T.Y. Adjusted -Settlement 1,424,942 \$ 868,587 558,356 \$ 3 Adjusted -Settlement w/ incress 3,029,123 866,587 2,162,536 ₫

T.Y. Adjusted -

[E] Adjusted -Settlement W/ Increase

1,987,578 \$ 1,202,103 785,475 \$

4,201,910 1,202,103 2,999,806

54,732

209,026

Northern Group

T.Y. Adjusted -Settlement Σ

[B] Adjusted -Settlement w/ Increase

558,356 38,906 518,449 38,906 150,686

2,162,536 150,686 2,011,850

785,475 54,732 730,743

2,999,806 209,026 2,790,780

176,613 \$ 684,029 684,029

248,453

948,865

248,453

948,865

834,715

303,185 \$ 38.60%

1,157,892

38,60%

8.97% 31.63% 31,63% 6.97%

185,907 82,546 40.954 13.778

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developed Date: 4/2/2113 2.30 Fill
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	Close Credition	Navalo	(Sedona, Phrewood, Remock)
	A	[8]	<u>o</u>
	Percentage of incremental Gross Revenues	Percentage of Incremental Gross Reventes	Percentage of Incremental Coose Revenues
saiption	31,63%	31,63%	31,63%
deral Income Taxes:	6.97%	6.97%	6.87%
ate income Taxes	38.60%	38.60%	38.60%
Total Federal & State Income lex rescenses	61.A0%	61.40%	61,40%
Operating income % = 100% - 18X Percentege	1.16%	1,36%	1,09%
operty Tax Fector (Sch. C-2 Appox.)	0.71%	0.63%	%L90
flective Property Tax Factor (Ln. 6 x Lh. 10)	38.31%	39,43%	39.27%
Combined Federal & State Income & Property I ax come. Operating Income % = 100% - Tax Percentage.	%69.09	W15.09	60.73%
# Gross Revenue Conversion Factor	1,6478	1,6510	1,6465

ARIZONA WATER COMPANY Test Year Ended December 31, 2011 Computation of Gross Revenue, Conversion Fector

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N. 2012 Rate Casa Gettenent Frank Gettenent Gebeutes Kulz. Ann. Casa. P. 2012 Bate. 4.22013 2.50 PM	

Actual End of Test Year Percent Rate of Weighted	, ,	%00'0 %0'0	16,462,500 48.9% 6.82%	17,169,552 51.1% 6.14%	\$ 33,632,052, 100,00%
	Description	Short-Term Debt	Long-Term Debt	Common Equity	Totals

	Amount!	of Total	Refe es	Cost
Short-Term Debt		0.0%	0.00%	0.00%
I pod-Term Debt	16,462,500	48.9%	6.82%	3.34%
Common Equity	17,169,552		51,1% 11,30%	5.77%

End of Test Year - Settlement Dollar Percent Cost V Amount Of Total Rate  \$ 0.0% 0.00% 16,462,500 48.9% 8.82% 17,169,562 51,1% 10,00%	61.1% 10.00% 5.11%
--	--------------------

Short-Terr Long-Terr

Continon

Allocated based on 3-factor methodology

ARIZONA WATER COMPANY
Test Year Ended December 31, 2011
Surrmary Cost of Capital

5,4213 7,3058 7,3058

5.1320 6.1580 6.1580

\*

530.91

1,984.90 \$

\$ 1,453.99

9999 9999 9999

Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Three Breakover (M Gal):

Residential 10-Inch

1,1478

5.4213 7.3058 7.3058

5.1320 \$ 6.1580 6.1580

863,00

632.17

390 99,999

Tier One Breakover (M Gel): Tier Two Breakover (M Gel): Tier Three Breakover (M Gel):

Tier Two Breakover (M.Gal): Tier Times Breakover (M.Gal):

Tier One Breakover (M Gal):

Residential 8-Inch

6,4213 7.3058

5.1520 \$ 6.1580 8.1580

\*

1,380.80

\$ 1,011.47

5.4213 7,3058 7,3058

5.1320 6.1580 6.1580

115.42

•1

431.50

310.08

190 99,899 99,999

Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Three Breakover (M Gal):

Residential 4-Inch

Residential 6-Inch

8

5.4213 7.3058 7.3058

6.1580 6.1580 6.1580

73.87

278.16

202,29

120 99,999 99,999

Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Three Breakover (M Gal):

Residential 3-inch

Her Three Breakover (M Gal):

Tier One Breakover (M Gal): Tier Two Breakover (M Gal):

Residential 2-fnch

5.1320 6.1580 6.1580

36,93

138.08

101.15

99.999 99.999

686'68

5.4213 7.3058 7.3058

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86.30

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50 99.999 99.999

Her Three Breakover (M Gal):

Tier One Breakover (M Gal): Tier Two Breakover (M Gal):

Residential 1.5-inch

5.4219 7.3058 7.3058

6.1580 6.1580 6.1580

100

43.15

31,61

21 99,999 99,898

666,66 66,669

Tier Orie Breekover (M Gsl): Tier Two Breekover (M Gsl): Tier Three Breekover (M Gsl):

Residential 1-inch

(0.3811)

4.2771 5.1320 6.1580

8

12.64

Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Titres Breakover (M Gal):

Residential 5/8 x 3/4 -inch

Class of Service

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Volumetric Charge (/M Gal)

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Rate Block

Basic Service Charge Settlement Rate

Settlement Bete

Recap Schedules:

ARIZONA WATER COMPANY Test Year Ended December 31, 2011 Changes in Representative Rate Schedules

\*\*For Service Charges See Company-wide Service Charge Tariff at the end of this schedule\*\*

Exhibit Settlement H3 Schedule: Settlement H3 Page 2 of 17

		19	101	2	75.341	田田		9		E:	<b>Z</b>	
	3	<u>.</u>	Ξ	ė.	:		•		/olumetric	Volumetric Charge (/M Gal)		
	Rate Block				1	Basic Service Charge		Present				
		ŀ	Contorient	Rate		Settlement Rate	Change	Ratio	Settle	Settlement Rate	Cinenda	
Class of Service			transmas.	2	25 64 8	23.00	\$ 10.36	\$ 4.6968	*	5.4213	9 0.7225	
Commercial 5/8 x 3/4 -inch	Tier One Breakover (M Gal): Tier two Breakover (M Gal):	99,999	666.66	<b>!</b> >.	•	•		5.6388		1,3058	1,6672	
		66,66	666,666			1	9	8.6988	•••	5,4213	\$ 0.7225	
Commercial 1-Inch	Tier One Breakover (M Gal):	15	21	e.	31.61	8		5.6386	عددد	7,3058	1.6672	
: *	Tier Three Breakover (M Gat):	666 66	666'66						•	5.4213	n/a	
Commercial 1.5-inch		2.5	060 as		17 <b>0</b>	Orgell	<b>5</b>	2		7.3058	10 P	
	Tier Two Breakover (M Gel): Tier Tiree Breakover (M Gel):	<b>9</b> /2	666,68	_				4 8988	•	5.4213	49	
Commercial 2-inch	Tier One Breakover (M Gal):	65	066'66	. T	101.15 \$	184.00	87.83	5,8386	i moʻido	7,3058	1.6672	
	Tier Three Breakover (M Gel):	666'66					٠,	7 400	<b>M</b>	5.4213	**	
Commercial 3-inch	Tier One Breakover (M Gal):	125	120	8	202.29 \$	368.00	F. C.	5,6386		7.3058	1,6672	
	Tier Tivee Breakover (M Gal):	86,999		:	:,	ć.		8.09		5,4213	45	
Commercial 4-inch	Tier One Brestover (M Gal):	200		ल •	316.08 \$	On o	<b>,</b>	5.6388	<b>9</b> 9	7.3058	1.6672	
	Tier Three Breakover (M Gal):	666,66	868'66		. !			8869.4	en en	5.4213	**	
Commercial 6-inch	Tier One Breakover (M Gal): Tier Two Breakover (M Gal):	400		₩ ₩	632.17	Mine!	:	5.6388	 ഇ.	7.3058 7.3058	1.8672	
	Tier tiree Breakover (M Gal):	666'66	8			. 040	4 R28 53	\$ 4.69	98	5.421	\$ \$ 0.7225	<u>.</u>
Commercial 8-Inch		675	609	•	1,011.47	or of or	<b>?</b> :	5.6386	88 88	7.3058		
	Tier Three Breakover (M Gal):	886'86 86				9.645.07	9 845.00 R 1:191.01	\$ 4.6968	<b>9</b>	5.421	**	
Commiercial 10-Inch	Tier One Breakover (M Gel): Tier Two Breakover (M Gel):	1,080	9999	<b>V</b>			A.J	5.6386	<b>8</b> 8	7,3058	1.6672	
	Tier Three Breakover (M Gal):	66'66										

(Continued)

\*For Service Charges See Company-wide Service Charge Tariff at the end of this schedule\*\*

Supporting Schedules:

5

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Private Fire Service

Industrial 10-inch

Industrial 8-Inch

5,4213 5,4213

4,0667

5.4213

5.4213 5.4213 5.4213

4.0867

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	1562		•			. :	. :	11
Case (M. Gall)	86.99	66.66	**	12.84	•	23,00	**	10.38
The Two Breakover (M Gal):	66,66	566,65						
Tier Three Breakover (M Gal):	88,999	886'66		٠				
	9	000	•	31.61		57.50		25.09
Tier One Breakover (M. GBI):	000 00	600.00	<b>&gt;</b> :	Ų.	.:	:		:
Tier Twee Breakover (M Gal):	666'66	666,66						
	Ÿ			•	•	115.00		- E
Tier One Breakover (M Gal):	2	666.66		-	•		,	
Tier Two Breakover (M Gal):	9 (	666.66 600 00						
Tier Three Breakover (M. GBI):	8.2	n n						
Her One Breskover (M Gal):	666'66	686,68	••	101.15	•	184.00	*	82.85
Tier Twn Breakover (M GB)	666,66							
Tier Three Breakover (M Gal):	686'66	666'66		•				
	000 00	800 60	**	202.29	•	388.00	•	165.71
Tigh Che pressover (14 Ge)	000 00							
Tier INO Breakover (in Ger)	686 66							
I GILLINGS CHARLONS (18)				:	1	9	•	00 030
The One Breakover (M Gal):	666'66		••	318.08	•	975.00	•	76.007
Tier Two Breakover (M Gal):	666'66							
Tier Tirree Breakover (M Gal):	666'66	88,988						
	1		•	. 690 17	÷	1150.00	-0	517.83
Tier One Breakover (M Gal):	668'66		Ţ	25.25	ý		,	
Tier Two Breakover (M Gal):	666'66							
Tier Three Breakover (M Gal):	ASS'AS	000'00						
The One Designation (M. Claff)	000	668.66		1,011.47		1,840,00	•	828,53
The Turk Brancher (M Cal).	686.68	,		:	a .			
Tier Three Breakover (M Gel):	666'65							
	2	000	•	4 1 453 00	61	2.645,00 \$		1,191.01
Tier One Breakbyer (M Gal):	8 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6		•		٠.			
Tier I wo Breakover (M. Gal):	656,66							
	•							
			•	22.58	•	25.00	*	2.42
All meter confection sizes.			•		!			
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Industrial 4-inch

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5.4213 5.4213 5.4213

4.0867

(Continued)

\*For Service Charges See Company wide Service Charge Tariff at the end of this schedule\*\*

Supporting Schedules

Industrial 6-inch

Exhibit Schedule: Settlement H-3 Page 3 of 17

Volumetric Charge (/// Gal)

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3

Rate Block

Class of Service

Saste Service Charge

Settlement Rate

5,4213 5,4213 5,4213

\$ 4.0667 4.0867

Exhibit Schedule: Settlement H-3 Page 4 of 17

	,		:		Navab		1		101		H	E	15
	W landstand admirate land w	101	[0]			<u>o</u>	Z:						
	1					Basic Service Charge				Volumetric	Volumentic Charge (vm Sau		
	Rate Block			Present		Settlement Rate	Change		Rate	200	Settlement Rate	Change	
Class of Service		Present				15 E	=	1/a	2		4	74	
Public Fire Hydrard					1 1	4	-	ş	<b>8</b> 20		E/L	tva	
Coin Machine	No. Gallons / \$ .25 (quarter)								A 6088		5.4213	\$ .0.7225	
Construction Water (2-Inch)	Tier One Breakover (M.Gal): Tier Two Breakover (M.Gal):	65 99,989 99,989	666 66 666 86	₩	101,15 <b>\$</b>	184.00	68.78	2			7.3058	1.6672	· · · · · · · · · · · · · · · · · · ·
Construction Water (3-Inch)	Tier One Breakover (M Gal): Tier Two Breakover (M Gal):	125 99,999	120 99,999	.CN	202.29 \$	368.00	\$ 165.71	F.	4.6988 5.6386 5.6386		5.4213 7.3058 7.3058	\$ 0.7225 1.8672 1.6672	
Construction Water (4-Inch)	Tier Three Breakover (M Gal): Tier One Breakover (M Gal): Tier Two Breakover (M Gal):	200 200 99,999		<b>10</b> 7	316.08 \$	575.00	\$ 258	258.92	\$ 4,6988 5,6386 5,8386	& & &	5,4219 7,3058 7,3058	•	10 N N
Sales for Resale (5/8-Inch)	Ther Three Breakover (M Gal): Ther One Breakover (M Gal): The Two Breakover (M Gal):	666 66 666 66		•	12.64 \$	23.00	(号) : <b>9</b> :	10.36	4.6986	<b></b>	5,4213 5,4213 5,4213	\$ 0.7225 0.7225 0.7225	
Saies for Resale (1-Inch)	Tier One Breakover (M Gel): Tier Two Breakover (M Gel): Tier Three Breakover (M Gel):	686' 66 666' 66		:₩.	31.61	67.50	; <del>44</del>	25.89	4.6988 4.6988 4.6988	# # # # # # # # # # # # # # # # # # #	5,4213 5,4213 5,4213 8,4213	<b>?</b> .	22 22 22 22 22 22 22 22 22 22 22 22 22
Sales for Resale (1.5-Inch)	Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Tiree Breakover (M Gal):	8/U 8/U 8/U	666'66 B		80 C	115.00		<b>2</b>			5,4213		17/8 17/8 225
Sales for Resale (2-Inch)	Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Three Breakover (M Gal):	686'66 666'66	666'66	<b>59</b> ;	101.15 \$	184.00	,	82.85			5.4213 5.4213 5.4213		10 N N
Sales for Resale (3-Inch)	Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Tiree, Breakover (M Gal):	666'68 666'68	666,66 666,66	•	202.29 \$	368.00		165.71			5.4213 6.4213 6.4213 7.4213	, v	8 8 8 8
Sales for Resale (4-Inch)	Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Times Breakover (M Gal):	566'66 666'66 666'66	666,686 668,686 668,686	•	316.08 \$	575,00		256.92		-	5.4213 5.4213 5.4213	•	12 12 15 15 15 15 15 15 15 15 15 15 15 15 15 15 15 15 15 15 1
Sales for Resale (6-Inch)	Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Tirres Breakover (M Gal):	556 66 566 56	665'68 6 665'68 6	<b>*</b>	632,17 \$	1,150,00		517,83	4.6988	2 80 85 E	5.4213 5.4213 7.4213	•	2 22 22
Sales for Resale (8-Inch)	Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Tivre Breakover (M Gal):	666'66 666'66	666'66 6 666'66 6	*	\$ 1,011.47	1,840.00	6 6	628.63	•	· ·	5.4213 5.4213	•	25 25
Sales for Resale (10-Inch).	Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Three Breakover (M Gal):	566'66 666'66	666'66 666'66 666'66 666'66	•	\$ 1,453.99 \$	2,645,00	* 1.191.01	5	A 4 4	4.09.00 8.09.00 8.09.00 8.09.00	5.4213 6.4213	•	8 <b>8</b>

\*\*For Service Charges See Company-wide Service Charge Tariff at the end of this schedule\*\*

varies varies

3.5527 4.4860

varies varies

1,288,50

\$ 1,155.07

1,000 99,999 99,999

925 99,999 99,999

Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Three Breakover (M Gal):

varies varies

3.5527 4.4860 4.4860

varies varies

633.25

577.54 \$

405,28

369.62

300 99,999 99,999

666,66

Ther One Breakover (M Gal): Ther Two Breakover (M Gal): Ther Three Breakover (M Gal):

Tier Three Breakover (M Gal):

Tier One Breakover (M Gel): Tier Two Breakover (M Gel): 493 99,999 99,999

Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Three Breakover (M Gal):

\$ 184.81

125 99,999 99,999

125 99,999 99,999

varies varies

3.5527 4.4860 4.4860

varies

varies varies varies

3.5527 4.4860 4.4860

varies varies

3.5527 4.4880 4.4860

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126.65

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varies varies

5,58

83.33 \*\*

40 99,999 89,589

> 66,66 68,999

Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Three Breakover (M Gal):

Ther One Breakover (M Gal): Ther Two Breakover (M Gal): Ther Three Breakover (M Gal): Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Tirree Breakover (M Gal): varies varies varies

3,5527 4,4860 4,4880

varies varies

178.28

2,028,40

\$ 1.848,12

3,5527 4,4860 4,4860

258.2B

2,912.95

\$ 2,656,67

Ther One Breakover (M Gal): Ther Two Breakover (M Gal): Ther Three Breakover (M Gal):

Tier One Breakover (M.Gal): Tier Two Breakover (M.Gal): Tier Three Breakover (M.Gal):

ARIZONA WATER COMPANY Test Year Ended December 31, 2011 Changes in Representative Rate Schedules

Schedule: Settlement H-3 Page 5 of 17

(olumetric Charge (/M Gal)

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Verde Valley (Second, Pineary)

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Rate Block

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Settlement Rate

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25.33

23.10

Change

Settlement Rate

Basic Service Charge

 \*\* For Service Charges See Company-wide Service Charge Teriff at the end of this schedule\*\*

IR COMPANY riber 31, 2011 alive Rate Schedules
ARIZONA WATER COMPANT Test Year Ended December 31, 2011 Changes in Representative Rate Sche

			102	(a) (E)			[4]	<u>5</u>	:		<b>E</b>	
		Ē	•		Paris Ophol	Charle				Volumetric Charge (M. Gal)	•	-1
		7	***		Casic Service Circular			Present	ii L			
			- Posterior	Present	Settlement Rate	rt Rate	Chands	Rate		Settlement Rate	Change	
Class of Service		LISSOIT	WILLIAM OF THE PRINCIPLE OF THE PRINCIPL		,	S (2) 36	8	varies	**	3.6527	varies	
Commercial 5/8 x 3/4 -Inch	Tier One Breakover (M Gal):	00 00	99,989	\$ 23.10				varies	2 2	4.4860		
	Tier Two Breakover (M Gal):	666'66	666'66			1	•		<b>4</b> 7	3,5527		
	The One Breakover (M Gal):	₽.	9	\$ 57,75		62.50	4.	varies		4.4860	varies	
Commercial 1-inch	Tier Two Breakover (M Gal):	668'66 66'66	666 66 668 86					- varies	<b>.</b>			
			,	g)c	<b>8</b> 4	125.00	2	₹ T	• 2	3.5527	•	
Commercial 1.5-Inch	Tier One Breakover (M Gal):	2	66.69 66.69	k Viz	, ·· ^	: ;		_	2 2	4.4860		
	Tier Two Breakover (M Gal):	18	566'66				•			3.5527	varies	
•		967	126	\$ 184.81	*	200:00	15,19		Varies	4.4860		
Commercial 2-inch	Tier Orie Breakbyer (M Gal):	66,66	66,68					16.A	varies	4,4860	variés	•
	Tier Two Breakover (M Gal):	88,899	666'66			:	1		S. Sections	3,5527		•
		bioc	300	\$ 369.62	<b>₩</b>	00.00	8.08		ies	4,4860	o varies	. <b></b>
Commercial 3-inch	Tier One Breakover (M Gal):	666'66	666'66					2 3	48 168	4.4860		2
	Tier Three Breakover (M Gal):	666'66	666'68						Sec	3.5527	7 varies	. <u> </u>
		703	005	\$ 577.	577,54 \$	625,00	₩ 4 . <del>8</del>		varies	4,4860		<b>*</b>
Commercial 4-Inch	Tier One Breakover (M Gal):	868'66	666'88					*	varies	4,4860		2
	Tier Three Breekover (M Gal):	666'66	666		,				varies	3.5527		20
	That One Breakover (M Gel):	925		\$ 1,155,07 \$	•	1,250.00	2		varies	4.4860	varies	***
Commercial 6-inch	The Two Breakover (M Gal):	666.66	666 66 666 66					<u> </u>	100 100 100 100 100 100 100 100 100 100	40K		
	Tier Three Breakover (M Gai):	800'88				2 000 00	\$ 151.88		seles:	3,5527		2 3
	Tier One Breakover (M Gal):	1.500	1,500	1,040,12	* 7		:		varies	4.486U	Series of	3 2
Commercial 6-inch	Tier Two Breakover (M Gal):	666 66	686 66 66					×.	50	,		}
	Tier Times Breakover (M Gal):	no n				00 370 0	S 33		varies	3.5527		8
4 4	Tier One Breakover (M Gal):	2,262	2,300	\$ 2,856.67		2010,2	i i		varies	89.4 8	50 varies	s =
Corninercial 10-littal	Tier Two Breakover (M Gal):	866'66 86'86						>				
	Tier Three Breakover (MI Call).	-										

\*For Service Charges See Company-wide Service Charge Tariff at the end of this schedule\*\*

ARIZONA WATER COMPANY	Test Year Ended December 31, 2011	Channes in Representative Rate Schedules

Exhibit Schedule: Settlement H-3 Page 7 of 17

The One Breatcover (M Gall)			· •	<u>5</u>	Ļ			i ii				
The One Breaktover (M Gal);   193,999   177,14   25,00   12.20   12.20   193,999   177.14   175.00						Basic S	ervice Charge			/olumetric C	harne (/M Ga	
The One Breakover (M Gal);   99,599   91,999   \$ 11,14 \$ 25.00 \$ 3.25   vertices \$ 3		Pate Bloc	×			ł			Present	.,		
The True Breaktover (M Gal);   59,599   5,2174 \$ 25.00 \$ 3.256   register 5   1			١.	ettlement			ment Rate	Chance	Rete	Settles	Ient Kane	
The One Breakcover (M Galf)	is of Service								varies	••	3,5527	varies
The Three Breaktover (M Gal); 99,999 99,999 \$ 54,39 \$ 54,20 \$ 6,14    vertical \$ 1			666.66	66'66	∾ •••;		3.62		Varies	:	3.5527	varie
The Tries Braishover (M Gal)  99,999 9 9,999 9 1,40 9 1,	strial 5/8 x 3/4 -Inch	Tier Two Breakover (M Gal):	686'86	686,88					varibs		3.5527	varies
The One Breakover (M Gal): 99,999 9,999 9,999 9,999 9,999 9,999 9,999 9,999 174. Che Breakover (M Gal): 199,999 9,999 174. Che Breakover (M Gal): 199,999 9,999 172,99 5,200.00 \$ 20.04 varies 174. The Detector (M Gal): 199,999 99,999 172,99 5,200.00 \$ 20.04 varies 5 174. Che Breakover (M Gal): 199,999			666'66	F68.68					****	÷	2 6897	varies
The True Breaktover (M Gal): 99,989 98,999 178 125.00 118 1125.00 118 1125.00 118 118 118 118 118 118 118 118 118 1					•		62,50	8 8.14	Varies	ø	5.00A	verlee
The Three Breaktover (M Gal): 99,999 99,999 178 \$ 125.00 118 118 118 118 118 118 118 118 118 1	# J.	The One Breakover (M.Gat):	686,66	888.88	•				Varies		9000	-
Tier The Breaktover (M Gai);   114   199,999	istrial 1-inch	Tier Two Breakover (M Gal):	666'66	656.66					varies		3,5527	
Ther One Breakover (M Gal): 1148 99.999 173.96 \$ 200.00 \$ 28.04 vertice \$ 1141 Three Breakover (M Gal): 99.999 173.96 \$ 200.00 \$ 28.04 vertice \$ 1141 Three Breakover (M Gal): 99.999 99.999 \$ 173.96 \$ 200.00 \$ 22.04 vertice \$ 1141 Three Breakover (M Gal): 99.999 99.999 \$ 173.90 \$ 247.92 \$ 400.00 \$ 22.04 vertice \$ 1141 Three Breakover (M Gal): 99.999 99.999 \$ 543.82 \$ 625.00 \$ 81.39 vertice \$ 1141 Three Breakover (M Gal): 99.999 99.999 \$ 1.097.25 \$ 1.050.00 \$ 162.75 vertice \$ 1141 Three Breakover (M Gal): 99.999 99.999 \$ 1.097.25 \$ 1.050.00 \$ 162.75 vertice \$ 1141 Three Breakover (M Gal): 99.999 99.999 \$ 1.097.25 \$ 1.050.00 \$ 162.75 vertice \$ 1141 Three Breakover (M Gal): 99.999 99.999 \$ 1.097.25 \$ 1.050.00 \$ 162.75 vertice \$ 1141 Three Breakover (M Gal): 99.999 99.999 \$ 1.097.25 \$ 1.050.00 \$ 162.75 vertice \$ 1141 Three Breakover (M Gal): 99.999 99.999 \$ 1.097.25 \$ 1.050.00 \$ 162.75 vertice \$ 1141 Three Breakover (M Gal): 99.999 99.999 \$ 2.000.00 \$ 200.00 \$ 374.33 vertice \$ 1141 Three Breakover (M Gal): 99.999 99.999 \$ 2.000.00 \$ 200.00 \$ 374.33 vertice \$ 1141 Three Breakover (M Gal): 99.999 99.999 \$ 2.000.00 \$ 200.00 \$ 374.33 vertice \$ 1141 Three Breakover (M Gal): 99.999 99.999 \$ 2.000.00 \$ 200.00 \$ 374.33 vertice \$ 1141 Three Breakover (M Gal): 99.999 99.999 99.999 \$ 2.000.00 \$ 200.00 \$ 374.33 vertice \$ 1141 Three Breakover (M Gal): 99.999 99.9		Tier Three Breakover (M Gal):	B B B B B B B B B B B B B B B B B B B	0						:	4 6527	n/a
Tier Tries Breaktover (M Gal):			: 1	000 00		8/2	125.00	2	,	•	2 6527	9/2
Tiler Three Breaktover (M Gal): 174 99,999 \$ 173,96 \$ 200,00 \$ 26.04 verties \$ 11er One Breaktover (M Gal): 99,999 99,999 \$ 173,96 \$ 200,00 \$ 22.04 verties \$ 11er One Breaktover (M Gal): 99,999 99,999 \$ 347,92 \$ 400,00 \$ 32,04 verties \$ 11er One Breaktover (M Gal): 99,999 99,999 99,999 99,999 99,999 99,999 10er One Breaktover (M Gal): 99,999 9	and a Kiloch	Tier One Breakover (M Gal):	8	en co		; !					2.00E	2
Tier Tiree Breaktover (M Gal): 99,999 9,999 9,173,96 \$ 200.00 \$ 26.04 varies \$ varies 1 ter Two Breaktover (M Gal): 99,999 99,999 1 173,96 \$ 200.00 \$ 22,00 varies 5 varies 1 ter Two Breaktover (M Gal): 99,999 99,999 1 1 1 1 1 1 1 1 1 1 1 1 1		Tier Two Breakover (M Gal):	8	200 CG					2	_	17000	i
Ther One Breakover (M Gal);   99,999   99,999   9173.96 \$ 200.00 \$ 26.04 varies   99,999			1/8 1/8							•	9 6637	varies
Tief One Breaktover (M Gal); 99,999 99,999 99,999 19,999 99,999 10,999 99,999 10,999 99,999 10,999 99,999 10,999 99,999 10,999 99,999 10,999 99,999 10,999 99,999 10,999 99,999 10,999 99,999 10,999 99,999 10,999 99,999 10,999						80 20	200,00	\$ 28.04	•	<b>*</b>	3,0021	varies
Ter Two Breatover (M Gal): 99,999 99,999 \$ 347,92 \$ 400.00 \$ 52.08 varies \$ 11er Two Breatover (M Gal): 99,999 99,999 \$ 543.62 \$ 622.00 \$ 91,389 varies \$ 11er Two Breatover (M Gal): 99,999 99,999 \$ 1,097.25 \$ 1,250.00 \$ 11.38 varies \$ 11er Two Breatover (M Gal): 99,999 99,999 \$ 1,097.25 \$ 1,250.00 \$ 162.75 varies \$ 11er Two Breatover (M Gal): 99,999 99,999 \$ 1,097.25 \$ 1,250.00 \$ 162.75 varies \$ 11er Two Breatover (M Gal): 99,999 99,999 \$ 1,097.25 \$ 1,250.00 \$ 260.40 varies \$ 11er Two Breatover (M Gal): 99,999 99,999 \$ 2,500.67 \$ 2,000.00 \$ 260.40 varies \$ 11er Two Breatover (M Gal): 99,999 99,999 \$ 2,500.67 \$ 2,876.00 \$ 374.33 varies \$ 11er Two Breatover (M Gal): 99,999 99,999 \$ 2,500.67 \$ 2,976.00 \$ 374.33 varies \$ 11er Two Breatover (M Gal): 99,999 99,999 \$ 2,500.67 \$ 2,000.00 \$ 260.40 varies \$ 11er Two Breatover (M Gal): 99,999 99,999 \$ 2,500.67 \$ 2,500.00 \$ 374.33 varies \$ 11er Two Breatover (M Gal): 99,999 99,999 \$ 2,500.67 \$ 2,500.00 \$ 374.33 varies \$ 11er Two Breatover (M Gal): 99,999 99,999 \$ 2,500.67 \$ 2,000.00 \$ 374.33 varies \$ 11er Two Breatover (M Gal): 99,999 99,999 \$ 2,500.67 \$ 2,500.00 \$ 374.33 varies \$ 11er Trive Breatover (M Gal): 99,999 99,999 \$ 2,500.67 \$ 2,500.00 \$ 374.33 varies \$ 11er Trive Breatover (M Gal): 99,999 99,999 \$ 2,500.67 \$ 2,000.00 \$ 374.33 varies \$ 11er Trive Breatover (M Gal): 99,999 99,999 \$ 2,500.67 \$ 2,500.00 \$ 374.33 varies \$ 11er Trive Breatover (M Gal): 99,999 99,999 \$ 2,500.67 \$ 2,000.00 \$ 374.33 varies \$ 11er Trive Breatover (M Gal): 99,999 99,999 \$ 2,500.67 \$ 2,500.00 \$ 374.33 varies \$ 11er Trive Breatover (M Gal): 99,999 99,999 99,999 \$ 2,500.67 \$ 374.33 varies \$ 11er Trive Breatover (M Gal): 99,999 9		Tier (The Breakover (M Gal):	66666	686'66	- N				varies	_	2,002	
Tier Three Breaktover (M Gal): 99,999 99,999 \$ 347.92 \$ 400.00 \$ 82,09 varies \$ 11er One Breaktover (M Gal): 99,999 99,999 \$ 1,097.25 \$ 1,250.00 \$ 11.25	ustriai 2-inch	Tier Two Breakover (M Gal):	66,66	666,66		•			varies	_	3.5527	
Tier One Breakover (M Gal): 99,999 \$ 347.92 \$ 400.00 \$ 52.08 vertes Tier Two Breakover (M Gal): 99,999 99,999 \$ 543.62 \$ 625.00 \$ 11.36 vertes Tier Two Breakover (M Gal): 99,999 99,999 \$ 1,097.25 \$ 1,250.00 \$ 162.75 vertes Tier One Breakover (M Gal): 99,999 99,999 \$ 1,739.60 \$ 2,000.00 \$ 200.40 vertes Tier Two Breakover (M Gal): 99,999 99,999 \$ 2,500.07 \$ 2,375,00 \$ 142.25 vertes Tier Two Breakover (M Gal): 99,999 99,999 \$ 2,500.07 \$ 2,375,00 \$ vertes Tier Two Breakover (M Gal): 99,999 99,999 \$ 2,500.07 \$ 2,375,00 \$ vertes Tier Two Breakover (M Gal): 99,999 99,999 \$ 2,500.07 \$ 2,375,00 \$ vertes Tier Two Breakover (M Gal): 99,999 99,999 \$ 2,500.07 \$ 2,375,00 \$ vertes Tier Two Breakover (M Gal): 99,999 99,999 \$ 2,500.07 \$ 2,375,00 \$ vertes Tier Two Breakover (M Gal): 99,999 99,999 \$ 2,500.07 \$ 2,375,00 \$ vertes Tier Two Breakover (M Gal): 99,999 99,999 \$ 2,500.07 \$ 2,375,00 \$ vertes Tier Two Breakover (M Gal): 99,999 99,999 \$ 2,500.07 \$ 2,375,00 \$ vertes Tier Two Breakover (M Gal): 99,999 99,999 \$ 2,500.07 \$ 2,375,00 \$ vertes Tier Two Breakover (M Gal): 99,999 99,999 \$ 2,500.07 \$ 2,375,00 \$ vertes Tier Two Breakover (M Gal): 99,999 99,999 \$ 2,500.07 \$ 2,375,00 \$ vertes Tier Two Breakover (M Gal): 99,999 99,999 \$ 2,500.07 \$ 2,375,00 \$ vertes Tier Two Breakover (M Gal): 99,999 99,999 \$ 2,500.07 \$ 2,375,00 \$ vertes Tier Two Breakover (M Gal): 99,999 99,999 \$ 2,500.07 \$ 2,375,00 \$ vertes Tier Two Breakover (M Gal): 99,999 99,999 \$ 2,500.07 \$ 2,375,00 \$ vertes Tier Two Breakover (M Gal): 99,999 99,999 \$ 2,500.00 \$ 2,000.00 \$ 2,000.00 \$ vertes Tier Two Breakover (M Gal): 99,999 99,999 \$ 2,500.00 \$ 2,300.00 \$ 2,300.00 \$ vertes Tier Two Breakover (M Gal): 99,999 99,999 \$ 2,500.00 \$ 2,30		Tier Three Breakover (M Gal):	666'66	888'88		,					1.6527	Veri
Tier Two Breakrover (M Gal): 99,999 99,999 99,999 1 10er Two Breakrover (M Gal): 99,999 99,99			100	ope on			400,00	•			3 5597	varies
Tier Two Breakover (M Gal); 99,899 99,899 \$ 543.62 \$ 625.00 \$ 61.38 varies with the Breakover (M Gal); 99,899 99,899 \$ 543.62 \$ 625.00 \$ 61.38 varies stationary (M Gal); 99,899 99,899 \$ 1,087.25 \$ 1,250.00 \$ 162.75 varies stationary (M Gal); 99,999 99,999 \$ 1,087.25 \$ 1,250.00 \$ 162.75 varies stationary (M Gal); 99,999 99,999 \$ 2,500.67 \$ 2,000.00 \$ 260.40 varies stationary (M Gal); 99,999 99,999 \$ 2,500.67 \$ 2,875,00 \$ 374.28 varies stationary (M Gal); 99,999 99,999 \$ 2,500.67 \$ 2,875,00 \$ 374.28 varies stationary (M Gal); 99,999 99,999 \$ 2,500.67 \$ 2,875,00 \$ 374.28 varies stationary (M Gal); 99,999 99,999 \$ 2,500.67 \$ 2,875,00 \$ 374.28 varies stationary (M Gal); 99,999 99,999 \$ 2,500.67 \$ 2,875,00 \$ 374.28 varies stationary (M Gal); 99,999 99,999 \$ 2,500.67 \$ 2,875,00 \$ 374.28 varies stationary (M Gal); 99,999 99,999 \$ 2,500.67 \$ 2,875,00 \$ 374.28 varies stationary (M Gal); 99,999 99,999 \$ 2,500.67 \$ 2,875,00 \$ 374.28 varies stationary (M Gal); 99,999 99,999 \$ 2,500.67 \$ 2,875,00 \$ 374.28 varies stationary (M Gal); 99,999 99,999 \$ 2,500.67 \$ 30.50 \$ 4,61 varies stationary (M Gal); 99,999 99,999 \$ 2,500.67 \$ 2,875,00 \$ 374.28 varies stationary (M Gal); 99,999 99,999 \$ 2,500.67 \$ 2,875,00 \$ 374.28 varies stationary (M Gal); 99,999 99,999 \$ 2,500.67 \$ 30.50 \$ 4,61 varies stationary (M Gal); 99,999 99,9	foot o Live	Tier One Breakover (M Gal):	666,66	660.00			:				3.6527	
Tier Three Breakcover (M Gal): 99,999 99,999 \$ 543.62 \$ 625.00 \$ 61.36 varies 6 varies 7 regions 11er Three Breakcover (M Gal): 99,999 99,999 \$ 1,087.25 \$ 1,250.00 \$ 162.75 varies 7 regions 11er Three Breakcover (M Gal): 99,999 99,999 \$ 1,087.25 \$ 1,250.00 \$ 162.75 varies 7 regions 11er Three Breakcover (M Gal): 99,999 99,999 \$ 1,087.25 \$ 1,250.00 \$ 162.75 varies 7 regions 11er Three Breakcover (M Gal): 99,999 99,999 \$ 1,739.60 \$ 2,000.00 \$ 260.40 varies 7 regions 11er Three Breakcover (M Gal): 99,999 99,999 \$ 2,500.67 \$ 2,875,00 \$ 374.33 varies 7 regions 11er Three Breakcover (M Gal): 99,999 99,9	USDIEL STINGS	Tier Two Breakover (M Gel):	566 6B	00000						ni:		
Tier One Breakover (M Gal): 99,999 \$ 543.62 \$ 625.00 \$ 81.38 verifies Tier Two Breakover (M Gal): 99,999 \$ 1,087.25 \$ 1,250.00 \$ 162.76 verifies Tier Two Breakover (M Gal): 99,999 99,999 \$ 1,739.60 \$ 2,000.00 \$ 200.40 verifies Tier Two Breakover (M Gal): 99,999 99,999 \$ 1,739.60 \$ 2,500.00 \$ 2,500.40 verifies Tier Two Breakover (M Gal): 99,999 99,999 99,999 Tier Two Breakover (M Gal): 99,999 99,999 99,999 1 2,500.67 \$ 2,575,00 \$ 374,33 verifies Tier Two Breakover (M Gal): 99,999 99,999 99,999 1 2,500.67 \$ 2,575,00 \$ 374,33 verifies Tier Two Breakover (M Gal): 99,999 99,999 99,999 99,999 1 2,500.67 \$ 2,575,00 \$ 374,33 verifies Tier Two Breakover (M Gal): 99,999 99,999 99,999 1 2,500.67 \$ 2,575,00 \$ 374,33 verifies Tier Twe Breakover (M Gal): 99,999 99,999 99,999 99,999 1 2,500.67 \$ 2,575,00 \$ 374,33 verifies		Tier Three Breakover (M Gal):	nan'n								3.8527	varies
Tier One Breakover (M Gai); 99,999 99,999 \$ 1,087.25 \$ 1,250.00 \$ 162.75 verifies \$ 11 or the Tries Breakover (M Gai); 99,999 99,999 99,999 10,097.25 \$ 1,250.00 \$ 162.75 verifies \$ 11 or the Tries Breakover (M Gai); 99,999 99,			00000	900 00		43.62 \$	625,00	S 150		).	3.5527	LIBA
Tier Two Breakover (M Gal): 99,999 9 1,097.25 \$ 1,250.00 \$ 162.76 verifies Tier One Breakover (M Gal): 99,999 99,999 9 1,739.60 \$ 1,050.00 \$ 260.40 verifies Tier Two Breakover (M Gal): 99,999 99,999 99,999 99,999 99,999 99,999 99,999 99,999 99,999 11,739.60 \$ 2,000.00 \$ 260.40 verifies Tier Two Breakover (M Gal): 99,999 99,999 99,999 99,999 99,999 99,999 99,999 99,999 11,739.60 \$ 374.33 verifies Tier Two Breakover (M Gal): 99,999 99,999 99,999 99,999 99,999 99,999 99,999 99,999 11,739.60 \$ 374.33 verifies Tier Two Breakover (M Gal): 99,999 99	trestrial 4-Inch	Tier One Breakover (M GBI):	866,68	988 88					e Hes		3,5527	varies
Ther finals Breakover (M Gal): 99.999 \$ 1,087.25 \$ 1,250.00 \$ 162.75 varies streakover (M Gal): 99,999 \$ 99,999 \$ 1,739.60 \$ 2,000.00 \$ 260.40 varies 5 varies Ther Time Breakover (M Gal): 99,999 \$ 99,999 \$ 2,500.67 \$ 2,875,00 \$ 374.33 varies 1 varies Breakover (M Gal): 99,999 \$ 99,999 \$ 2,500.67 \$ 2,875,00 \$ 374.33 varies 1 varies Breakover (M Gal): 99,999 \$ 99,999 \$ 2,500.67 \$ 2,875,00 \$ 374.33 varies 1 varies Breakover (M Gal): 99,999 \$ 99,999 \$ 2,500.67 \$ 2,875,00 \$ 374.33 varies 1 varies Breakover (M Gal): 99,999 \$ 99,999 \$ 2,500.67 \$ 2,875,00 \$ 374.33 varies 1 varies Breakover (M Gal): 99,999 \$		The Two Breakover (M GRI)	000 00	686.68							· · · · ·	
Ther One Breakover (M Gal): 99,999 99,999 \$ 1,087.25 \$ 1,250.00 \$ 182.76 varies for Ther Three Breakover (M Gal): 99,999 99,999 \$ 1,739.60 \$ 2,000.00 \$ 260,40 varies \$ 161.79 varies \$ 179.79 varies \$ 179.79 varies \$ 179.79 varies \$ 179.79 varies \$ 179.70		The Three Breakover (M GBI):	000,000								3 5527	
Ther One Breakover (M Gal): 95,999 99,999 174 There Breakover (M Gal): 99,999 99,999 99,999 17er Tive Breakover (M Gal): 99,999 99,999 99,999 99,999 17er Tive Breakover (M Gal): 99,999 99,999 99,999 99,999 17er Tive Breakover (M Gal): 99,999 99,999 99,999 99,999 99,999 99,999 17er Tive Breakover (M Gal): 99,999 99,999 99,999 99,999 17er Tive Breakover (M Gal): 99,999 99,999 99,999 99,999 17er Tive Breakover (M Gal): 99,999 99,999 99,999 17er Tive Breakover (M Gal): 99,999 99,999 17er Tive Breakover (M Gal): 99,999 99,999 18,999			900 00	90 000	*	87.25 \$	1,250.00			»	3.6527	
The Three Breakover (M Gal): 99,999 99,999 \$ 2,500.67 \$ 20,000 \$ 260.40 varies \$ var	bistrial 6-inch	Tier One Breakover (M Gal):	686,88	00000	•						2 5597	
Ther Three Breakover (M Gal): 99,999 99,999 \$ 1,739,60 \$ 2,000.00 \$ 260,40 vertee \$ vertee \$ There Dreakover (M Gal): 99,999 99,			666,88	00000								
Ther One Breakover (M Gal): 99,999 \$ 1,739,60 \$ 2,000.00 \$ 260,40 vertee Terakover (M Gal): 99,999 99,999 \$ 2,500.67 \$ 2,875,00 \$ 374,39 vertee Breakover (M Gal): 99,999 99,999 \$ 2,500.67 \$ 2,875,00 \$ 374,39 vertee Terakover (M Gal): 99,999 99,999 99,999 1		The Three Breakover (M. Cell).	09,000	2						•	2 KR27	
Ther One Unachrover (M Gal): 99,999 99,999 \$ 2,500.67 \$ 2,675,00 \$ 374,33 varies \$ Ther Three Breakover (M Gal): 99,999 99,999 \$ 2,500.67 \$ 2,675,00 \$ 374,33 varies \$ Ther Three Breakover (M Gal): 99,999 99,999 99,999 Ther Three Breakover (M Gal): 99,999 99,999 99,999 1			900	900 00		39.60	2,000.00			•	3 5527	vertes
Tier Two Breakover (M Gal): 99,999 99,999 \$ 2,500.67 \$ 2,875,00 \$ 374,33 varies \$ varies Tier Two Breakover (M Gal): 99,999 99,999 99,999	Justrial 8-Inch	The One Breakover (in Car).	000,00	866 66		:					3.5527	
Ther Titree Breakover (M Gal): 99,999 99,999 \$ 2,500.67 \$ 2,875,00 \$ 374,33 varies 5 varies 7		Tier Two Breekover (M. Gal):	60000	900 00								
Ther One Breakover (M Gal): 99,999 99,999 \$ 2,500.67 \$ 2,675,00 \$ 374,33 varies Ther Twie Breakover (M Gal): 99,999 99,999 There Twie Breakover (M Gal): 9		The Three Breakover (M Gal):	200,00	2006		•		:			4 5507	Varies
Ther Orice Breakover (M Gal): 99,999 999 999 17er Tive Breakover (M Gal): 99,999 999 999 999 999 999 999 999 999			000	000 00	. 61	500.67	2,875,00	<b></b>		*:	CONT.	
Ther Time Breakover (M Gal): 99,999 99,999 Ther Time Breakover (M Gal): 99,999 99,999	dustrial 10-inch	Tier One Breakover (M. Car).	000 00	666 66	•				ales.	2:9	3,6527	
Ther Tiffe's Breakover (M. Gal.): 199,699 av. 30,30 \$ 4.81 Na.		Tier Two Breakover (M GBI):	00000	00000					- Veries	R		•
All resolve connectivin sizes: \$ 25.89 \$ 30.90 \$ 4.61		Tier Times Breskover (M Gal):	658,66	n n n n								
All measure contractifies sirper.							:	:•		:5	8,2	
		All mater connection sizes:			. <b>18</b> 16	25.89	30.50	<b>.</b>		Į.		

\*For Service Charges See Company-wide Service Charge Tariff at the end of this schedule\*\*

RIZONA WATER COMPANY	Test Year Ended December 31, 2011	in Representative Rate Schedules
ž	匝	Ξ
ARIZO	rest Year	Changes !

Construction Value (3-hcf)   The Obstachment (3-hcf)   The Obstachme										44.			
Present   Person   Present   Person   Present   Person										VORTIGIES	Volumetric Charge (//k Gel)		
Property   Proceedings   Procedure   Pro		Rate Blo	*		Present	Besic Ser	VICE CLEE DE		Present	₩			۱ ا
Options of the problems (14 chief)         125         126         <			Present	Settlement	Rate	Settlen	ent Rate	Charge	Rate		Settlement Hate		밁
The One Breakboard (M. Cali).  The One Breakboard (M. Cali).  The One Breakboard (M. Cali).  The Three Breakboard (M. Cali).  The Th	BSS O OCHACA				5	S	1/8	1/4		20			2
No, Galloon 5, 220 (quartry)  No, Galloon 5, 220 (quartry)  Ther One Breakcover (M Gal);  The Three Breakcover (M Gal);  The Che Breakcover (M Gal);  The Three Breakcover (M Gal);  T	Public Fire Hydrant			•	e	<u>,55</u>	LV8	<b>6</b> /0	ABA	*	<b>. 3</b>		varies
The One breaknover (M Gail): 99,999 99,999 14,155.00 5,000 5,000 9,000 11,100 1	Coin Máchine	No. Gallons / 5 .25 (quarter)			:	; i. ;			Ì		3.5527	•	Sa 16
Tier Two Beactorer (M Gal): 99,999 99,999 1 20,000 \$ 30,39	(third of reliable collections of	Ther One Breakover (M Gal):	125.	125	184	<b>.</b>			TEA.		4.4860		varies
The One Breakover (M Gal): 19999 9999 \$ 177.54 \$ 825.00 \$ 47.46 vertices of the Two Breakover (M Gal): 19999 9999 \$ 177.54 \$ 825.00 \$ 47.46 vertices of the Two Breakover (M Gal): 19999 9999 \$ 177.54 \$ 825.00 \$ 47.46 vertices of the Two Breakover (M Gal): 19999 9999 \$ 177.54 \$ 825.00 \$ 1.50 vertices of the Two Breakover (M Gal): 19999 9999 \$ 177.54 \$ 825.00 \$ 1.50 vertices of the Two Breakover (M Gal): 19999 9999 \$ 177.54 \$ 825.00 \$ 1.50 vertices of the Two Breakover (M Gal): 19999 9999 \$ 177.54 \$ 825.00 \$ 1.50 vertices of the Two Breakover (M Gal): 176 9999 9999 \$ 194.61 \$ 125.00	כסו השתכיוניו דרפוניו (ב-יווישי)	Tier Two Breakover (M Gal):	666,66	666'66 66					Var	<b>5</b>	4,4860		varies
Tier Two Breaktover (M Gal);   99,999   99,999   177.54   5,55.00   47,46   varieties   99,999   176   Two Breaktover (M Gal);   99,999   99,999   177.54   5,55.00   47,46   varieties   99,999   176   Two Breaktover (M Gal);   99,999   99,999   177.54   175.50   17.50   17.50   varieties   17.50   17.50   17.50   17.50   17.50   varieties   17.50   17.50   17.50   17.50   varieties   17.50   17.50   17.50   varieties   v	,					£	400.00		JBA.	168	3,6527	٠.	varies
The Three Breaktover (M Gal); 99,999 99,999 1 22,10 \$ 25.00 \$ 47.46 varies believed to (M Gal); 99,999 99,999 1 22,10 \$ 25.00 \$ 1.90 varies believed to (M Gal); 99,999 99,999 1 22,10 \$ 25.00 \$ 1.90 varies believed to (M Gal); 99,999 99,999 1 22,10 \$ 25.00 \$ 1.90 varies believed to (M Gal); 99,999 99,999 1 22,10 \$ 25.00 \$ 1.90 varies believed to (M Gal); 99,999 99,999 1 22,10 \$ 25.00 \$ 1.90 varies believed to (M Gal); 99,999 99,999 1 22,10 \$ 125.00 \$ 1.90 varies believed to (M Gal); 99,999 99,999 1 1/2 \$ 125.00 \$ 1.50 varies believed to (M Gal); 99,999 99,999 1 1/2 \$ 125.00 \$ 1.50 varies believed to (M Gal); 99,999 99,999 99,999 1 1/2 \$ 125.00 \$ 1.5,10 varies believed to (M Gal); 99,999 99,999 99,999 1 1/2 \$ 125.00 \$ 1.5,10 varies believed to (M Gal); 99,999 99	Construction Water (3-inch)	Tier One Breakover (M Gal):	varies	98					A		4.4860		Varies.
The One Breaktover (M Gal); 9500 9599 9517.24 \$ 625.00 \$ 417.46 varieties		Tier Two Breakover (M Gal): Tier Three Breakover (M Gal):	666'66 666'66	666'66						<b>3</b>	4.4860		varies
The One Breaktover (M Gal); 99,999 99,999 9 22,10 \$ 25.00 \$ 1.90 varies			9.5	005	\$ 577.		625.00	\$ 47,46		108	3,5527		varies
Titler One Breaktover (M Gal); 99.999 99.999 \$ 22.10 \$ 25.00 \$ 1.50 varies varies (Titler One Breaktover (M Gal); 99.999 99.999 \$ 57.75 \$ 92.50 \$ 4.75 varies varies (M Gal); 99.999 99.999 \$ 57.75 \$ 92.50 \$ 4.75 varies varies (M Gal); 99.999 99.999 \$ 194.61 \$ 200.00 \$ 15.10 varies (M Gal); 174 vb Breaktover (M Gal); 175 vb Breaktover (M Gal);	Construction Water (4-Inch)	Tier Two Breakover (M Gal):	666 66	666,66 86,999							4.4860		varies
Tier One Breaktover (M Gal): 99,999 99,999 17,75 \$ \$2,50 \$ 4,75 variety variety (M Gal): 99,999 99,999 17,75 \$ \$2,50 \$ 4,75 variety variety (M Gal): 99,999 99,999 17,75 \$ \$2,50 \$ 4,75 variety variety (M Gal): 99,999 99,999 17,75 \$ \$2,50 \$ 4,75 variety variety (M Gal): 17,75 \$ 12,50 \$ 17,75 \$ 12,50 \$ 17,8 \$ 12,50				. !	ć	•	25.00		:	ries: *	3.552		varies
Tier Three Breakcover (M Gall); 99,999 99 57.75 \$ 82.50 \$ 4.75   varies Paralectover (M Gall); 99,999 99 99 99 99 99 99 99 99 99 99 99	Sales for Resale (5/8-Inch)	Ther One Breakover (M Gal): Ther Two Breakover (M Gal):	866 86 866 86	666 666 666 666	<b>₹</b> :	2				<b>9</b>	3,5527		varies
Ther One Breakover (M Gal); 99,999 95,775 3 92,00 3 104		Tier Thee Breakover (M 58!):	200°20	200	;	1	1			nies series	3.552		verfes
Titler Three Breaktover (M Gal); 99,999 99,999 11er Trone Breaktover (M Gal); 99,999 99,999 11er Trone Breaktover (M Gal); 11a 99,999 11a 99,999 11a 90,999 11a 9	(does to see a contract of	Tier One Breakover (M Gal):	666'66	666'66	\$ 57	75	20.20			mes	3,5527		varies
Tet One Breakcover (M Gal);   11/4 99,999   \$ 184.61 \$ 200,00 \$ 15.10   10/8   10/9	(man ) especial of select	Ther Two Breakover (M Gal):	666 66 66 66	688'66 688'66			٠.,		5	rjes	3,532		
Ther Once Breaktover (M Gal): 11/13 99,999 11/14				34	,		128 (3)	9,0		\$ 8/0	3.5527	_	2
Trier Two Breaktover (M Gal): 176 99,999 \$ 184,81 \$ 200,00 \$ 15,19 varies for the Three Breaktover (M Gal): 99,999 99,999 \$ 184,81 \$ 200,00 \$ 15,19 varies for the Chre Breaktover (M Gal): 99,999 99,999 \$ 17,54 \$ 400,00 \$ 30,38 varies for the Chre Breaktover (M Gal): 99,999 99,999 \$ 577,54 \$ 625,00 \$ 47,48 varies for the Chre Breaktover (M Gal): 99,999 99,999 \$ 1,155,07 \$ 1,250,00 \$ 94,999 for the Three Breaktover (M Gal): 99,999 99,999 \$ 1,155,07 \$ 1,250,00 \$ 94,999 for the Three Breaktover (M Gal): 99,999 99,999 \$ 1,155,07 \$ 1,250,00 \$ 94,999 for the Three Breaktover (M Gal): 99,999 99,999 \$ 1,155,07 \$ 1,250,00 \$ 94,999 for the Three Breaktover (M Gal): 99,999 99,999 \$ 1,155,07 \$ 1,250,00 \$ 94,999 for the Three Breaktover (M Gal): 99,999 99,999 \$ 1,548,12 \$ 2,000,00 \$ 151,56 varies for the Three Breaktover (M Gal): 99,999	Sales for Resale (1.5-Inch)	Ther One Breakover (M Gal):	8/L		-		200			- Z	3.5527	•	Ē
Tier One Breakover (M Gal): 99,999 99,999 \$ 184.81 \$ 200.00 \$ 15.19 varies by 999 199 99,999 199,999 99,999 99,999 99,999 99,999 99,999 99,999 99,999 99,999 1		Tier Two Breakover (M Gal): Tier Thrae Breakover (M Gal):	2.2		•					8/2	3.5527		2
Ther One Breakover (M Gal): 99,999 99,999 10			5				200.00	•		aries &	3.5527		varies
The Dreakover (M Gal); 99,999 99,999 \$ 399,62 \$ 400,00 \$ 90,38 vertex (m Gal); 99,999 99,999 \$ 577.54 \$ 302.00 \$ 47.46 vertex (m Gal); 99,999 99,999 \$ 1,155.07 \$ 1,250,00 \$ 94,999 (m Gal); 99,999 99,999 \$ 1,155.07 \$ 1,250,00 \$ 94,39 (m Gal); 99,999 99,999 \$ 1,648,12 \$ 2,000,00 \$ 161,48 vertex (m Gal); 99,999 99,999 99,999 \$ 1,648,12 \$ 2,000,00 \$ 161,48 vertex (m Gal); 99,999 99,999 \$ 1,648,12 \$ 2,000,00 \$ 161,48 vertex (m Gal); 99,999 99,999 \$ 2,656,87 \$ 2,975,00 \$ 218,33 vertex (m Gal); 99,999 99,999 \$ 2,656,87 \$ 2,875,00 \$ 218,33 vertex (m Gal); 99,999 99,999 \$ 2,656,87 \$ 2,875,00 \$ 218,33 vertex (m Gal); 99,999 99,999 \$ 2,656,87 \$ 2,875,00 \$ 218,33 vertex (m Gal); 99,999 99,999 \$ 2,656,87 \$ 2,875,00 \$ 218,33 vertex (m Gal); 99,999 99,999 \$ 2,656,87 \$ 2,875,00 \$ 218,33 vertex (m Gal); 99,999 99,999 \$ 2,656,87 \$ 2,875,00 \$ 218,33 vertex (m Gal); 99,999 99,999 \$ 2,656,87 \$ 2,875,00 \$ 218,33 vertex (m Gal); 99,999 99,999 \$ 2,656,87 \$ 2,875,00 \$ 218,33 vertex (m Gal); 99,999 99,999 \$ 2,656,87 \$ 2,875,00 \$ 218,33 vertex (m Gal); 99,999 9	Sales for Resale (2-Inch)	Tier One Breakover (M CBI):	000 00	•				:	Ä	7 C	3.5527		Von ICO
Tier One Breakover (M Gal): 99,999 99,999 \$ 399,62 \$ 400,00 \$ 30,38 verifes released (M Gal): 99,999 99,999 \$ 577.54 \$ 625.00 \$ 47.49 verifes released (M Gal): 99,999 99,999 \$ 1,155.07 \$ 1,250,00 \$ 94,999 verifes released (M Gal): 99,999 99,999 \$ 1,155.07 \$ 1,250,00 \$ 94,999 verifes released (M Gal): 99,999 99,999 \$ 1,155.07 \$ 1,250,00 \$ 94,999 verifes released (M Gal): 99,999 99,999 \$ 1,155.07 \$ 1,250,00 \$ 94,999 verifes released (M Gal): 99,999 99,999 \$ 1,548,12 \$ 2,000,00 \$ 161,89 verifes verifes released (M Gal): 99,999 99,999 \$ 1,548,12 \$ 2,000,00 \$ 161,89 verifes verifes released (M Gal): 99,999 99,999 \$ 2,656,87 \$ 2,875,00 \$ 218,33 verifes verifes released (M Gal): 99,999 99,999 \$ 2,656,87 \$ 2,875,00 \$ 218,33 verifes verifes released (M Gal): 99,999 99,999 \$ 2,656,87 \$ 2,875,00 \$ 218,33 verifes verifes released (M Gal): 99,999 99,999 \$ 2,656,87 \$ 2,875,00 \$ 218,33 verifes verifes released (M Gal): 99,999 9		Tier Three Breakover (M Gal):	666'66						••		o de la companya de l	•	
Tier Trive Breaktover (M Gal); 99,899   99,899   8,177,54   \$ 625.00   \$ 47.46   verifies 1 fer One Breaktover (M Gal); 99,999   99,999   \$ 1,155.07   \$ 1,250.00   \$ 47.46   verifies 1 fer One Breaktover (M Gal); 99,999   99,999   \$ 1,155.07   \$ 1,250.00   \$ 14.46   verifies 1 fer One Breaktover (M Gal); 99,999   99,999   \$ 1,155.07   \$ 1,250.00   \$ 14.48   verifies 1 fer Two Breaktover (M Gal); 99,999   99,999   \$ 1,548,12   \$ 2,000,00   \$ 151.69   verifies 1 fer Two Breaktover (M Gal); 99,999   99,999   \$ 1,548,12   \$ 2,000,00   \$ 151.69   verifies 1 fer Two Breaktover (M Gal); 99,999   99,999   \$ 2,656.67   \$ 2,875.00   \$ 218.33   verifies 1 fer One Breaktover (M Gal); 99,999   \$ 2,656.67   \$ 2,875.00   \$ 218.33   verifies 1 fer One Breaktover (M Gal); 99,999   \$ 2,656.67   \$ 2,875.00   \$ 218.33   verifies 1 fer One Breaktover (M Gal); 99,999   \$ 2,656.67   \$ 2,875.00   \$ 218.33   verifies 1 fer One Breaktover (M Gal); 99,999   \$ 2,656.67   \$ 2,875.00   \$ 218.33   verifies 1 fer One Breaktover (M Gal); 99,999   \$ 2,656.67   \$ 2,875.00   \$ 218.33   verifies 1 fer One Breaktover (M Gal); 99,999   \$ 2,656.67   \$ 2,875.00   \$ 218.33   verifies 1 fer One Breaktover (M Gal); 99,999   \$ 2,656.67   \$ 2,875.00   \$ 218.33   verifies 1 fer One Breaktover (M Gal); 99,999   \$ 2,656.67   \$ 2,875.00   \$ 2,8			800 00			82	400.00			2 tes	3,3527		Varios
Tier One Breakover (M Gal); 99.999 \$ 577.54 \$ 625.00 \$ 47.46   varies 1 or 1 tire Breakover (M Gal); 99.999 \$ 1,155.07 \$ 1,250.00 \$ 47.46   varies 1 or 1 tire Breakover (M Gal); 99.999 \$ 1,155.07 \$ 1,250.00 \$ 94.99   varies 1 or 1 tier One Breakover (M Gal); 99.999 \$ 1,549.12 \$ 2,000.00 \$ 161.89   varies 1 or 1 tier Two Breakover (M Gal); 99.999 \$ 1,549.12 \$ 2,000.00 \$ 161.89   varies 1 or 1 tier Two Breakover (M Gal); 99.999 \$ 2,656.87 \$ 2,875.00 \$ 218.33   varies 1 or 1 tier One Breakover (M Gal); 99.999 \$ 2,656.87 \$ 2,875.00 \$ 218.33   varies 1 or 1 tier One Breakover (M Gal); 99.999 \$ 2,656.87 \$ 2,875.00 \$ 218.33   varies 1 or 1 tier One Breakover (M Gal); 99.999   99.999	Sales for Resale (3-inch)	Tier Two Breakover (M Gal):	666'66						<b>5</b> . <b>5</b>		3.5627		varies
Tier Two Breakcover (M Gal); 99,999   99,999   91,155,07 \$ 1,250,00 \$ 94,893   varies			, CO.		577		625.00			aries \$	3.55	•	ABries
Ther One Breakover (M Gal): 99,999 99,999 \$ 1,155,07 \$ 1,250,00 \$ 94,833 varies 7 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Sales for Resale (4-Inch)	Tier Two Breakover (M Gal): Tier Two Breakover (M Gal):	666'66 666'66						5.5		3,5527		varies
Ther One Breakover (M Gal): 99,999 99,899 1,193.07 1,193.					22.		1 250 00	•	٠	aries s	3,55%		varies
Tier Two Breaktover (M Gal); 99,999 99,999 91,848,12 \$ 2,000,00 \$ 161,48 varies  Ther Three Breaktover (M Gal); 99,999 99,999 \$ 1,848,12 \$ 2,000,00 \$ 161,48 varies  Ther Two Breaktover (M Gal); 99,999 99,999 \$ 2,656,67 \$ 2,875,00 \$ 218,33 varies  Ther True Breaktover (M Gal); 99,999 \$ 2,656,67 \$ 2,875,00 \$ 218,33 varies  Ther True Breaktover (M Gal); 99,999 99,999 9 4,2656,67 \$ 2,875,00 \$ 218,33 varies  Ther True Breaktover (M Gal); 99,999	Stales for Resale (6-Inch)	Tier One Breakover (M Gal):	666'66		- 100 - 100		200000			seljes	3.5527		varies
Tier One Breakover (M Gal): 99,999 99,999 \$ 1,848,12 \$ 2,000,00 \$ 161,89 varies tier Two Breakover (M Gal): 99,999 99,999 \$ 2,656,67 \$ 2,876,00 \$ 218,33 varies tier Two Breakover (M Gal): 99,999 \$ 2,656,67 \$ 2,876,00 \$ 218,33 varies tier Two Breakover (M Gal): 99,999 \$ 2,656,67 \$ 2,876,00 \$ 218,33 varies tier Two Breakover (M Gal): 99,999 \$ 2,656,67 \$ 2,876,00 \$ 218,33 varies tier Two Breakover (M Gal): 99,999 \$ 2,656,67 \$ 2,876,00 \$ 218,33 varies tier Two Breakover (M Gal): 99,999 \$ 2,656,67 \$ 2,876,00 \$ 218,33 varies tier Two Breakover (M Gal): 99,999		Tier Two Breakover (M Gal): Tier Three Breakover (M Gal):	566 56 568 56						*	<b>.</b>	3.65	•	varies
Introduction of Mark			000 00		\$ 1.848		2,000,00		* -		in i		varies
Ther Tone Breakdowin (M.Gal): 99,999 \$ 2,656,67 \$ 2,876,00 \$ 218,33 vertes Ther Two Breakdowin (M.Gal): 99,999 \$ 2,656,67 \$ 2,876,00 \$ 218,33 vertes Ther Two Breakdowin (M.Gal): 99,999 49,999	Sales for Resale (8-inch)	Tier Two Breakover (M Gal):	666'66						<b>5</b>		3.6627		varies
Tier One Breakdyer (M GBI): 99,999 9 2,000.07 3 100.00 9					4	*	O STA C	•	•		3.55		varies
666.66	Sales for Resale (10-Inch)	The One Breakover (M Gal):	668'66 668'66		7.65	A	2,010,20 2,010,20				3.5527		varies
		Tier Three Breakover (M Gal):	666.65							artes	Ö,		

\*For Service Charges See Company; wide Service Charge Teriff at the end of this schedule.\*\*

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	Rate Block	×		Drawari	200 200			i	Present	:		ť	- Change
ection Observed		Present	Settlement	2	Settlement Rate	Rate	Change			Semen	Settlement rate	,	
C1858 G 201176		. 1	•	22 40	. •	25.33	2.23		1.5317	•	2,1210	•	0,5893
Residential 5/8 x 3/4 -Inch	Ther One Breakover (M Gel): Ther Two Breakover (M Gel): Ther Two Breakover (M Gel):	99,999	201 99,999	2 *	•		i		1.9147		3.5527		2,0850
Residential 1-Inch	Tier One Breakover (M Gal): Tier Two Breakover (M Gal):	99,999	40 99,899 89,899	57.75	45	63.33	5,58		2.3910 2.3910	•	3.5527 4.4860 4.4860	•	1.6380 2.0950 2.0950
Residential 1.5-inch	Tier One Breakover (M Gal): Tier Two Breakover (M Gal):	B/U	75 99.999		<b>P</b>	126,65	₹:		7.48	<b>*</b> :	3,5527 4,4860 4,4860		17a 17a
Residential 2-Inch	Tier Three Breakover (M Gel): Tier One Breakover (M Gel): Tier Two Breakover (M Gel):	125 99,999 99,999	68668 68668 68668	\$ 184,81 .\$	•••• ••••	202.64	17.83		2.3910 2.3910	•	3.5527 4.4860 4.4860	•	1.6380 2.0950 2.0950
Residential 3-inch	Tier One Breakover (M Gal): Tier Two Breakover (M Gal):	298 99,999	300 300 300 300 300 300 300 300 300 300	\$ 369.62	<b>⇔</b> .	405.28	35,66		2.3810 2.3810	<b>#</b>	3,5527 4,4860 4,4860		1.6380 2.0950 2.0850
Residential 4-inch	Tier One Breakover (M Gel): Tier Two Breakover (M Gel): The Two Breakover (M Gel):	493 99,999 99,999	686,86 686,86	\$ 577.54	•	633.25	7. 1.00	r	\$ 1.9147 2.9910 2.3910	•	3,5527 4,4860 4,4860	<b>⇔</b>	1.6380 2.0950 2.0950
Residential 6-inch	The One Breakover (M Gal): The Three Breakover (M Gal):	928 85,898 89,898		\$ 1,155.07		1,266,50	<b>5</b> . 111,43	න	\$ 1.9147 2.3910 2.3910	<b>65</b> ;	3.5527 4.4860 4.4880	<b></b>	1.6380 2.0950 2.0950
Residential B-Inch	Ther One Breakover (M Gel): The Two Breakover (M Gel): Ther Three Breakover (M Gel):	005,1 989,88 002,1		4 1,848,12	<b>.</b>	2,026.40	\$ 178.28	28	\$ 1.9147 2.3910 2.3910	•	3,5527 4,4860 4,4890	# K-2-2	1.6380 2.0950 2.0950
Residential 10-inch	Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Three Breakover (M Gal):	2,262 99,999 99,998	2,300 99,999 99,999	\$ 2,656.67	; in	2,912.95	\$ 256.28	<b>25</b>	\$ 1.9147 2.3910 2.3910	•	3.5527 4.4860 4.4860	#: 588	1.6360 2.0950 2.0950

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\*\*For Service Charges See Company-wide Service Charge Tariff at the end of this schedule\*\*

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	Rate Block	ock.			Basic	Basic Service Charge			Dragger		Volumetric Charge Lim Gall	5 E		
or produced in the second		Present	Settlement	Rate		Settlement Rate	Change		2	يش. ا	Settlement Rate		Change	왥
Commercial 5/8 x 3/4 -Inch	Tier One Breakover (M Gel): Tier Two Breakover (M Gel): Ther Three Breakover (M Gel):	99,999	99.989	*	23,10 \$	25.00	.44	1:80	2,2	1:9147 2:3910 2:3910		3.5527 4.4860 4.4860	* 22 2	1.6380 2.0950 2.0950
Contribercial 1-inch	Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Ther Three Breakover (M Gal):	40 89,989 89,999	98,999	es.	57.75	62,50	•	4.75	- 73 G	1.9147 2.3910 2.3910		3.5527 4.4860 4.4860	**************************************	1.6380 2.0950 2.0950
Commercial 1.5-inch	Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Three Breakover (M Gal):	7.88 2.08	75 99,999 88,989		\$ 2	125.00		<b>2</b>	•	822		3,5527 4,4860 4,4860	•	525
Commercial 2-inch	Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Three Breakover (M Gal):	125 99,999 99,999	125 99,999 98,999	*	184.81 \$	200,00	 ••	15.19	구입점 **	2.3910 2.3910		3.5527 4.4860 4.4860	- 2 2 •	2.0950 2.0950 2.0950
Commercial 3-inch	Ther One Breakover (M Gal): Ther Two Breakover (M Gal):	99,989 89,989	999,999 999,999	<b>ल</b> ∳	369.62	400,00	•	30.38	# N N	2.3910 2.3910	•	3.5527 4.4860 4.4860	<b>.</b> ⊖ હાલ	1.6360 2.0950 2.0950
Commercial 4-inch	Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Three Breakover (M Gal):	493 99,999 99,999	698,88 698,88	.₩.	\$ 177.64 \$	625.00	•	47.46	- n n	1.9147 2.3910 2.3910		3,5527 4,4860 4,4860	<b>⇔</b> ⊷ ⊲ ⋈	1.8380 2.0950 2.0950
Commercial 6-Inch	Ter One Breekover (M Gel): Ter Two Breekover (M Gel): Tier Tives Breekover (M Gel):	926 89,999 89,999	000,1 98,989 99,989	4,155.07	\$ 20.03	1,250.00	•	94.93	** ** % %	1.9147 2.3910 2.3910		3.5527 4.4860 4.4860	<b>⇔</b>	1,6380 2,0950 2,0950
Commercial 8-inch	Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Tiree Breakover (M Gal);	1,500 99,999 99,999	1.500 89,899 89,899	æ.	1,848.12 \$	2,000,00		151.88	- N N	1.9147 2.3810 2.3910	•	3.5527 4.4880 4.4880	• 20.50	1.6380 2.0950 2.0950
Commercial 10-Inch	Ter One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Three Breakover (M Gal):	2,262 99,999 99,889	2,300 99,989 99,998	\$ 2,856.67	56.67 \$	2,875.00	•	218.33	<del>-</del> બ બ જ	2.3910 2.3910	 •••	3.5527 4.4860 4.4860	•	1.6390 2.0950 2.0950

\*\*For Service Charges See Company-wide Service Charge Tariff at the end of this schedule\*\*

EXHIDI	Settlement H-3	Dane 11 of 17
	Schedule:	

				Verte	Valley (Section)			18		42		
	4	181	<u> </u>	ē		E	<u>.</u>	₹.		Ē	•	
		į							Volumetrik	Volumetric Charge (M. Gall)	-	
	Rate Block	¥			Basic Service Charge		1	Present			1 ·	
		Drakert	Settlement	Present	Settlement Rate	Charine		Ratio	3	Settlement Rate	đ	Change
Class of Service				:  . ·		•		1.6901	<b>W</b>	3.5527	•	1,8728
Industrial 5/8 x 3/4 -Inch	Tier One Breakover (M Gal):	666'66	666 G6	\$. 21.74	e m'ez		07.0	1.6901		3.5527	:	1.8728 1.8726
	The Three Breakover (M Gal):	668 66	666'66					200	1			2020
		000	00000	\$ 54.38	\$ 62.50 \$		8.14	1.6801	•	3.5527	<b>,</b>	8778
Industrial 1-inch	Tier One Breakover (M Gal): Tier Two Breakover (M Gal):	666 66 666 66	666 66					1.6801		3,5527		1.8726
				1	128 10		10	B/U::	•	3.5527		<u>2</u>
Industrial 1.5-Inch	Tier One Breakover (M Gal): Tier Two Breakover (M Gal):	178 178	866'66 866'66				I. I.	178 178	: <u>_</u> .	3.5527		2 2
	Ther Three Breakover (M Gal);	2	265 66						•	2 6507	ن	18778
	TEO TO ASSESSMENT OF THE PROPERTY OF THE PROPE	000 00	668 66	\$ 173.96 \$	\$ 200,00	•	28.04	1.6801	<b>.</b>	3.5627	•	1.6726
Industrial 2-inch	Tier Two Breakover (M Gal):	66.66	886'66	:				1.6801		3,5527		1.8728
	Tier Three Breakover (M GEI).	nan'na	200,00						•	2 6527		1.8728
;	Trac Over Breakover (M Cal)	888.88	666'66	\$ 347.92 \$	\$ 400,00	<b>99</b> ·	52.08	1.6801	• •	3.5527		1.8726
Industrial 3-Inch	Tier Two Breakover (M Gal):	666'66	86,88			۳.		1,6801	.:	3.6627		1,8726
	The Three Breskover (M Gal).	686,66	666,66			٠.		3	• • •			4 0778
	- 43	1	00000	c 543.62 S	625,00	*	81.38	1.6801	es	3.5527		1.8728
Industrial 4-inch	Tier One Breakover (M GBI):	656 66	656 66					1.5801		3,5527	. : - <b>:</b>	1.8726
	The Three Breekover (M Gal):	868'68	686,86							. ;		
•			•		1 250 00	. •	162.75	\$ 1,6801	÷	3.5527	·	1.87.26
Industrial 6-inch	Tier One Breakover (M Gal):	666.66	866'66	1,007.20	•		i	1.680)	<u></u>	3.6527		1.8726
	Tier Two Breakover (M Gal):	666'66	668.66					1.6801	_	3.552		77 A.L
	Let likes broaklyd (w Cel).	000		:		٠.,	1			3.652	2	1.8726
	The One Breekner (M Gal):	666 68	666 66	\$ 1,739.60	3 \$ 2,000,00	•	200.40		•	3.5527		1.8728
Industrial 8-inch	Tier Two Breakover (M Gal):	666'66						1683	= =	3,5527		1.8728
	The Three Breakover (M Gal):	666 66	686'66						•			•
		. !	•		in state of	*	274.33	.\$ .1.680	*	3.5527	*	1.8728
frictivetrial 10-Inch	Tier One Breakover (M Gal):	666'66		2 Z,500.67	•	÷		1.6801		3.5527		1.8726
	Tier Two Breakover (M Gal):	666.66	666 66 66 66					1.6801	·=	3,5527	۲.	1.8726
	Tier Three Breakover (M Gal):	88.88										
-				,		. •		2	u/a	2	n/a	1/8
Drivate Fire Service	All meter connection sizes:			\$ 25.89	30.30	<b>.</b>	ē		!			
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\*For Service Charges See Company-wide Service Charge Tariff at the end of this schedule\*\*

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		Σ,			1			:		Volum	netric Chan	Volumetric Charge (/M Gal)	
	Rate Block	ock		Pag	Present	Basic Service Cient	1		Present	F		9	e Constitution
Class of Service		Present	Settlement	2		Settlement Rate	3	Cherote	N N				
					n/a	E/L	_	Ę		2		14	•
Public rite riyaredi	No. Gallone / \$ 25 (querter)				8	<b>8</b>		n'a	#	118.94		2	0,4585
Coin Mechine					****	in the		<u>6</u>	8 1.9	1.9147 \$			\$ 1.6380
Construction Water (2-Inch)	Tier One Breakover (M Gal): Tier Two Breakover (M Gal):	125 99,999 99,999	125 99,99 99,99						22.2	2.3910		4.4860	2.0950
			<b>§</b>		369.62	400.00	. <b>4</b>	30.38	\$ 1.9	1.9147 \$		3.5527	1,6380
Construction Water (3-Inch)	Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Three Breakover (M Gal);	666'66 666'66	666 68 68 68 68 68							2.3910 2.3910		4,4860	2.0950
Construction Water (4-Inch)	Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Thirde Breakover (M Gal):	566 666 666 666 666 666 666 666	99,999 99,999	•	577.54 \$	625,00	<b>s</b>	47.48	* *	2.3910 2.3910 2.3910		4,4860 4,4860	• • • • • • • • • • • • • • • • • • • •
Sales for Resale (5/8-Inch)	Tier One Breakover (M Gal): Tier Two Braskover (M Gal):	6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6	666 66 666 66	•	23.10 \$	25.00	<b>9</b> 1	06.1	* 9 9 9 9	2.2489 \$ 2.2489		3.5527 3.5527 3.5527	1.3038 1.3038 1.3038
Sales for Resale (1-Inch)	There Breakover (M Gal): There Diseakover (M Gal): There Diseakover (M Gal): The Two Breakover (M Gal):	666 66 666 66	888°88 686°88	•	57.75	2	62.50 \$	4.75	<b>8</b>	2.2489 \$ 2.2489		3.5527 3.5527 3.5527	\$ 1.3038 1.3038 1.3038
Sales for Resale (1,5-inch)	Ter One Breakover (M Gal): Ter Two Breakover (M Gal): Tier Three Breakover (M Gal):	178 178 178	666.66 666.66		. 8'Z	125.00	8	ž.		2 5 5 5 5 5		3,5527 3,5527 3,5527	
Sales for Resale (2-Inch)	Tier One Breakover (M Gel): Tier Two Breakover (M Gel): Tier Titres Breakover (M Gel):	666°66 666°66	566'56 666'56	•	164.81	200:00	. <del>**</del> .	9 13	n n n n	2.2489 2.2489 2.2489	u	3.5527 3.5527 3,5527	1.3038 1.3038 1.3038
Sales for Resale (3-inch)	Tier One Breskover (M Gel): Tier Two Breskover (M Gel): Tier Thres Breskover (M Gel):	666 66 866 68	866'86 866'86 866'86	:65	369,62	400.00	<del>*</del>	90°36	o o o	2.2489 \$ 2.2489 2.2489		3.5527 3.5527 3.5527	1.3038 1.3038 1.3038
Sales for Resale (4-Inch)	Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Tires Breakover (M Gal):	888.68 88.68 88.68	686,66 686,66 686,68	.46	577.54 \$	625,00	<b>₩</b>	47.46	• •	2.2489 \$ 2.2489 2.2489		3,5527 3,5527 3,5527	\$ 1.3038 1.3038 1.3038
Sales for Resale (6-Inch)	Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Tree Breakover (M Gal):	666.66 666.66	956 06 966 06	**	1,165,07 \$	1,250.00	<del>\$</del>	94,93	n n n	2.2489 2.2489 2.2488		3,5527 3,5527 3,5527	1.3038 1.3038 1.3038
Sales for Resale (8-Inch)	Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Three Breakover (M Gal):	866*88 666*66	666'66 666'66	::::: •::	\$ 1,848.12 \$	2,000,00	8	151.88	*	2.2489 2.2489 2.2489		3.5527 3.5527 9.5527	1,3038 1,3038 1,3038
Sales for Resale (10-inch)	Tier One Breakover (M Gal): Tier Two Breakover (M Gal):	666 66 66 66	666,66 66	ø,	2,658.67	\$ 2,875.00 \$	<del>**</del>	218.33	<b>*</b>	2,2489 2,2489 2,2489	Li	3,5527 3,5527 3,5527	\$ 1.3038 1.3038 1,3038

\*\*For Service Charges See Company-wide Service Charge Teriff at the end of this schedule\*\*

CONA ear End	ATER CO	Ended December 31, 2011	presentative Rate Schedules
LREZ est Y	IRIZONA WATI	est Year Ended Dece	In Repre

Wolumetric Charges (IM Gail)  Will Sequencert Rate Cape Sept.  2-1210 8  2-1					Verde Valle	/ (Phentood, Ringock					1	1
State   Book   Character (M Galt)		The state of the s	(e)	<u> </u>	(0)	9		<b>5</b>		E	E	
The Che Breakover (M Gal)						Davin Carriera Charm			Volumetric	Charge (/M Gal		1
The One Breakboar (M Gal);   10   10   10   10   10   10   10   1		18 4157	ock		Present	Dank on the Curt	ŧ	Present		9		
The True Breaktower (M Gai);   10   10   10   10   125.20   2.223   2.223   2.2281   3.1257	Vess of Sarvice		Present	Settlement	Rate	Settlement Rate	Charbs			THE LABOR		+
The Three Breaktover (M Galt): 99,999 99,999 10 10 10 10 10 10 10 10 10 10 10 10 10	inas of contract	Ther One Breakover (M Gal):	m	60	\$ 23.10	\$ 25.33	•	•	<b></b>	3.5527	\$ (1.266 (0.883	<b>?</b> ?
Tier One Breakover (M Gal);   10		Tier Two Breskover (M Gal): Tier Three Breskover (M Gal):	10 99,999	99,989				6.285		4.4880	60.808	<b>T</b>
Tier One Breaktover (M. Gal);   99,999   99,999   128,699   128,699   128,699   144,690   118,710   118,	٠		ţ	Ş	\$ 57.75				<b>.</b>	3.5527		Ŧ
There   Decembrater (M Cali)	esidential 1-inch	Tier Two Breakover (M Gal):	666'66	656'66				5,295 5,295		4,4860	(0.808	T T
Tier One Breakover (M Gel): 128 128 184.81 \$ 1202.64 \$ 17.83 8 42.391 \$ 4,4850  Tier Three Breakover (M Gel): 99,999 99,999 128 184.81 \$ 202.64 \$ 17.83 8 42.391 \$ 3.5577 \$ 15.2954  Tier Three Breakover (M Gel): 99,999 99,999 1		Tel Illes Districts (m. Ca).				•				3.6527	2	
Her Three Breakover (M Gal);   125   125   126   \$ 194.81 \$ 202.64 \$ 17.83 \$ 4.2361 \$ 3.5527 \$ 4.4890     Ther Three Breakover (M Gal);   99.999   99,999   17.54 \$ 405.26 \$ 36.66 \$ 4.2361 \$ 3.5527 \$ 4.4890     Ther Three Breakover (M Gal);   99.999   99,999   100   \$ 1,266.07 \$ 1,266.00 \$ 114.3 \$ 4.2361 \$ 3.5527 \$ 4.4890     Ther Three Breakover (M Gal);   99.999   99,999   99,999   100   \$ 1,165.07 \$ 1,266.50 \$ 114.3 \$ 4.2361 \$ 3.5527 \$ 4.4890     The Three Breakover (M Gal);   99,999   99,	ceptential 1.5-inch	Tier One Breakover (M Cal):	1/8 1/8	75 99,999	8/2		6.			4.4860	E C	5.5
Tier One Breakover (M Gai): 125 126 3 194.81 \$ 202.64 17.83 5 4.2361 \$ 3.5357 \$ 4.4860  Tier Three Breakover (M Gai): 99,999 99,		Tier Tiree Breakover (M Gel).	178 178	666'66				•	, s.	:		
Tier Tiree Breaktover (M Gal): 99,999 99,999 10,999	tesidential 2-Inch	Tier One Breakover (M Gal):	125	126	\$ 184.81	\$ 202,64	•	•	# = 1 2	3,5527 4,4860		<b>7 3 3</b>
Tier One Breakover (M Gai): 99,999 99,999 100 \$ 517.54 \$ 405.29 \$ 96.71 \$ 42961 \$ 44890 100 100 100 100 100 100 100 100 100 1		Tier Three Breakover (M Gal):	88,88	688.66				287'G	£			
Tier One Breakover (M Gai): 99,999 99,999 99,999 19,100 \$ 1,155,07 \$ 1296,50 \$ 111,43 \$ 4,2361 \$ 3,5827 \$ 4,4860 \$ 116r One Breakover (M Gai): 99,999		1. 2. 1 日本の日本の日本の日本の日本の日本の日本の日本の日本の日本の日本の日本の日本の日	Ş		369.62	•		**	# = :	3.5527	89.0) 68.0 68.0	8
Tier Time Breakover (M Gal): 99,999 99,999 1,155,07 \$ 1,266,50 \$ 111.43 \$ 4,2361 \$ 3,5527 \$ 4,4860	Residential 3-inch	Tier One Breakover (M Gal):	666'66	89.99				2.29	ı I	4.4660	0.80	3
Tier One Breakover (M Gal): 99,999 99,999 1,155,07 \$ 1,266,50 \$ 111,43 \$ 4,2961 \$ 3,5527 \$ 4,4960		Tier Three Breakover (M Gal):	966'66	266,99				:	٠	7 6477	89 03	8
Ther Thire Breakover (M Gai): 99,999 99,999 1,165.07 \$ 1,266.50 \$ 111.43 \$ 4,2961 \$ 3,5527 \$ 1,000 \$ 1,500 \$ 1,4860 \$ 1,266.50 \$ 178.29 \$ 4,2961 \$ 3,5527 \$ 1,500 \$ 1,	Zeeldential. 4-inch	Tier One Breekover (M Gal): Tier Two Breakover (M GBl):	493 99,999	99.999 005		-		in:	• 5 % %	4.4860	08.0	22
Tier One Breakover (M Gal); 99,999	•	Tier Three Breakover (M Gel):	666'88	866'66				•		3.5527	\$ (0.68	8
Tier Two Breakover (M Gal): 99,999 99,999 99,999 178-Trife Breakover (M Gal): 2,262 2,300 \$,2,656,67 \$,2,912,95 \$,206,28 \$,4,2961 \$,3,5527 \$,7,4850 178-Trive Breakover (M Gal): 99,999 99,9	Residential 6-inch	Ther One Breakover (M Gal):	925	•	\$ 1,155.07	₩.		÷	- 10	4.4860	080	8
Tier One Braskover (M Gal): 1,500 1,		Tier Two Breakover (M Gal): Tier Tiree Breakover (M Gal):	666 66 666 66	٠				6.28	X.	4.4860	(0.80	<b>}</b>
Terr One Breakover (M Gal): 99,999 99,999 99,999 1 Terr Two Breakover (M Gal): 99,999 99,999 1 Terr Two Breakover (M Gal): 99,999 99,99					e 1 848 12				81.5	3.5527		8
Ter Three Breakover (M Gai): 99,999 99,999 \$ 2,656.67 \$ 2,912.95 \$ 256.28 \$ 4,2361 \$ 3,5527 \$  Ter Three Breakover (M Gai): 99,999 99,999 99,999 99,999 99,999 99,999 99,999 99,999 99,999 99,999 99,999 99,999 99,999 99,999	Residential 6-inch	Tier One Breakover (M Gal):	066.66	τ.					<b>3</b> . 3	4.4860	08.0	<b>8</b> 8
Tier One Breakover (M Gal): 2,262 2,300 \$,2,656.67 \$; 2,912,95 \$ 256.28 \$ 4,2961 \$ 3,5527 \$ 1/4 (Gal); 99,999 99,999 99,999 99,999 99,999 99,999 99,999 99,999 99,999 99,999 99,999 99,999 99,999 99,999 99,999 99,999 99,999		Ther Three Breakover (M Gal):	666'66					7.0	Š.			
Tier Two Breakover (M Gal): 99,999 99,999 99,999 11er Three Breakover (M Gal): 99,999 99,999	Beeidential 10-Inch	Tier One Breakover (M.Gal):	2,262		\$ 2,658.67		•	<b></b>	<u></u>	3.5527	⇔ 6 6 8 8	<u> </u>
		Tier Two Breakover (M Gal): Tier Three Breakover (M Gal):	666'66 66'86					19,28	2	4.4860	5. 8.	\$

\*For Service Charges See Company wide Service Charge Tariff at the end of this schedule\*\*

ANAMED AN COMPANIES	MANAGE Date Consideration of the Consideration of the Constant	
diffed companies	Design Comments of the land	Md 15-
	CANESTANTS AVEC	The second Code: 475/2014 2-57 PSf
	Settlement Sche	andana and
	Sartement/Final	
	2012 Date Cately	
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	IAI	16	2	2		E.		2		,	3	
	; *				Basic Saivine Chattle	9			Volumetric Charge (/M Gal)	rge (/M Gal		i
	Rate Block			Present	Settlement Date	ļ	Cherce	Present Rate	Settlement Rate	rt Rate	Change	
Class of Service		Present	Settlement	A STATE OF THE STA		. :			: •	9 8427	\$ (0.683	4
Commercial 5/8 x 3/4 -Inch	Tier One Breakover (M Gal): Tier Two Breakover (M Gal):	10 9999	10 99,999 99,999	\$ 23.10	\$ 25.00	s.	8	5.2954		4,4890	(0.8094)	- इ.इ.
Commercial 1-Inch	Ther Direct Directions (M Gal): Ther Two Brestover (M Gal): Ther Three Brestower (M Gal):	99,899	99,999 99,999	\$ 57.75	\$ 62.50		4.75	\$ 4.2361 5.2954 5.2954	•	3,5527 4,4860 4,4860	\$ (0.6834) (0.8094) (0.8094)	<b>TTT</b> .
Commercial 1.5-inch	Tier One Breaktover (M Gal): Tier Two Breaktover (M Gal): Tier Three Breaktover (M Gal):	178 178 178	75 99,999 99,99	e/i)	rie \$ 125.00	8	2	17.8 17.8	ė.	3.5527 4.4860 4.4860	222	6 6 6 6 7 7
Commercial 2-Inch	Tier One Breakover (M Gal): Tier Two Breakover (M Gal): The Three Breakover (M Gal):	125 99,999 89,999	125 99,999 86,999	48.81	\$ 200.00	<del>s</del>	15.19	\$ 4.2361 5.2954 5.2954	<b>69</b> -	3.5527 4.4860 4.4860	(0.8094) (0.8094) (0.8094)	<b>a</b> a a
Commercial 3-inch	Tier One Breakover (M Gal): Ther Two Breakover (M Gal): Ther Three Breakover (M Gal):	298 99,999 89,999	98,989 98,989 008	\$ 369.62	00'00	8	30.38	5.2954 5.2954	<b>*</b> 1 11	3,5527 4,4860 4,4860	(0.8094) (0.8094)	<b>888</b> 8
Commercial 4-inch	Ther One Breakover (M Gal): Ther Two Breakover (M Gal): Ther Three Breakover (M Gal):	89,898 89,898	686,888 88,888	\$ 577.54	•	625,00	47,46	\$.2954 5.2954 5.2954	•	3.5527 4.4860 4.4860	(0.8094) (0.8094) (0.8094)	<b>333</b> 3
Commercial 6-Inch	Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Three Breakover (M Gal):	925 99,999 98,998	1,000 99,999 99,899	\$ 1,155.07 \$		<b>s</b> 00°	94.93	\$ 4.2361 5.2954 5.2954	<b></b>	3.5527 4.4860 4.4860		288
Commercial 8-inch	Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Three Breakover (M Gal):	1,500 99,998 89,999	1,500 99,999 99,999	\$ 1,848,12	2.5. 2.000.00	<b>•</b>	151.88	\$ 4.2361 5.2954 5.2954		4.4860 4.4860	(0.8094)	7 T Z
Commercial 10-inch	Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Three Breakover (M Gal):	2,262 99,969 99,999	2,300 99,999 99,899	\$ 2,658.67	2,875.00	\$ 00:5	218,33	\$ 4.2381 5.2954 5.2954		3.5527 4.4850 4.4860	(0.8094) (0.8094)	£ £ £

ARIZONA WATER COMPANY Test Year Ended December 31, 2011 Charges in Representative Rate Schedules

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Supporting Schedules:

\*For Service Charges See Company-wide Service Charge Tariff at the end of this schedule\*\*

Settlement H-3	Dann 4E at 17
Schedule:	

			i	Verde Valle	y (Pinewood, Ritmod	1		2.83		-		
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					Basic Service Charbe	. 0			Volumetric Charge (/M Gal)	(/M Gal)		
•	Rate Block			Present		1	I	Present	Settlement Rate	. *	Change	
Close of Sarving		Present	Settlement	Rate	Settlement Rate						: :	
Industrial 5/8 x 3/4 -inch	Tier One Breakovet (M Gal): Tier Two Breakovet (M Gal): Tier Three Breakovet (M Gal):	99,999 99,999	666'66 666'66	\$ 21.74	\$ 25.00	<b></b>	975	\$ 3.6242 3.6242 3.6242	ey ey ev	3,5527 \$ 3,5527 3,5527	(0.0715) (0.0715) (0.0715)	
Industrial 1-inch	Tier One Breakover (M Gel): Tier Two Breakover (M Gel): Tier Titree Breakover (M Gel):	666,66 666,66	668'66 668'66	\$ 28.38	\$ 62.50	•	8,14	\$ 3.6242 3.6242 3.6242	<b>u</b>	3.5527 \$ 3.5527 3.5627	(0.0715) (0.0715) (0.0715)	
Industrial 1,5-inch	Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Tiere Breakover (M Gal):	2 2 2	868'68 668'66	## 	126,00			2 2 2	<b></b>	3.5527 3.5527 3.5527		
Industrial 2-inch	Tier One Breakover (M Gel): Tier Two Breakover (M Gel): Tier Tieres Breakover (M Gel):	666 66 666 66	686'66 686'66	\$ 96.671	\$ 200.00 :		26,04	3.6242 3.6242 3.6242		3.5527 3.5527 3.5527	(0.0715) (0.0715) (0.0715)	
Industrial 3-knch	Tier One Breakover (M Gel): Tier Two Breakover (M Gel): Tier Three Breakover (M Gel):	656 66 686 66	666'66 666'66	\$ 347.92 \$		400.00	<b>52.08</b>	\$ 3.6242 3.6242 3.6242	•	3.6527 3.5527 3.5527		
Industrial 4-inch	Tier One Breakover (M Gel): Tier Two Breakover (M Gel): Ter Three Breakover (M Gel):	888'66 886'66	686,98 688,98 688,88	\$ 543,62		825.00 S B	81.38	5 3.6242 3.6242 3.6242	•	3.5527 3.5527 3.5527		
Industrial 6 inch	The One Breakover (M Gal); The Two Breakover (M Gal); The Three Breakover (M Gal);	686.68 686.68	666°66 666°66	1,087.25	1,250.00	•	162.75	\$ 3.6242 3.6242 3.6242	•	3.5527 3.5527 3.5527	\$ (0.0715) (0.0715) (0.0715)	
Industrial 8-Inch	Tier Orie Breakover (M Gel): Tier Two Breakover (M Gel): Tier Tière Breakover (M Gel):	966 66 966 66	686'66 686'66	1,739.80	\$ 5.000.00	· <b>*</b>	260,40	\$ 3.6242 3.6242 3.6242		3,5527 3,5527 3,5527	(0.0715) (0.0715) (0.0715)	
Industrial 10-inch	Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Three Breakover (M Gal):	666'66 666'66	666'66 666'66	\$ 2.500.67	2,875.00	•	974,33	\$ 3.6242 3.6242 3.6242	. <u> </u>	3.5627 3.5527 3.5527	\$ (0.0715) (0.0715) (0.0715)	
Private Pire Service	All meter connection stres:			\$ 25.89	30.50	•	19.			11/4	2	

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\*\*For Service Charges See Company wide Service Charge Tertif at the end of this schedule\*\*

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	Rate Block	¥	-		1	Basic Service Charge	2	-				
Class of Service		Present	Settlement	Rate		Settlement Rate		Charroe	Rate		Settlement Rate	Change
Public Fire Hydrent				•	N/B			N's	ie.	r/a	10/4	
Coin Machine	No. Gallons / \$ .25 (querter)				n/a	-	n/a	1/8	53.78	ė	8	(0.1980)
Construction Water (2-Inch)	Tier One Breakover (M.Gal): Tier Two Breakover (M.Gal): Tier Three Breakover (M.Gal):	125 99,999 99,999	125 99,989 99,999	<b>₽</b>	184.81 \$	200.00	<b>*</b>	6	\$ 4.2361 5.2954 5.2954		3,5527 4,4860 4,4860	\$ (0.8094) (0.8094)
Construction Water (3-inch)	Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Three Breakover (M Gal):	298 99,999 99,999	300 866,66 86,66	**	369,62 \$	00	400,00	30,38	\$ 4.2361 5.2954 5.2954	**:	3.5527 4.4860 4.4860	\$ (0.8094) (0.8094) (0.8094)
Construction Water (4-Inch)	Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Three Breakover (M Gal):	99,899 89,999	666'66 009	<b>49</b>	\$ 45.179	625,00	 •>	47.46	\$ 4.2361 5.2954 5.2954	*	3.5527 4.4860 4.4860	•
Sales for Resale (5/8-Inch)	Tier One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Three Breakover (M Gal):	666 66 666 66	866'86 666'66	<b>6</b>	23,10 \$	<b>%</b>	25,00 \$	1.90	4.236	10 10 10 10 10 10	3.5527 3.5527 3.5527	•
Sales for Resale (1-inch)	Ther One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Three Breakover (M Gal):	666'68 666'68	866'68 866'58	. <del></del> 	57.75	2	62,50 \$	¥.78	4.2361	8 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4	3,5527 3,5527 3,5527	\$ (0.6834) (0.6834) (0.6834)
Sales for Resale (1.5-Inch)	Tier One Breakover (M Gal): Ter Two Breakover (M Gal): The Three Breakover (M Gal):		888'88 686'68		\$ 8/J	125,00	8			2 8 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	3,5527 3,5527 3,5527	
Sales for Resale (2-Inch)	Ter One Breakover (M Gal): Ter Two Breakover (M Gal): Ter Three Breakover (M Gal):	666'66 666'66	686'66 686'66	10-	184.81	500	\$ 00.00	15.19	4.2361	61 61 84	3.5527 3.5527 3.5527	•
Sales for Resale (3-Inch)	Ther One Breakover (M Gal): Tier Two Breakover (M Gal): Tier Three Breakover (M Gal):	866.66 866.66	656'56 656'66	. <b>6</b>	369.62 \$	90	400.00	30,38	\$ 4,2361 4,2361 4,2361	* E	3,5527 3,5527 8,5527	\$ (0.6834) (0.6834)
Sales for Resale (4-Inch)	Tier One Breakover (M Gel): Tier Two Breakover (M Gel): Tier Three Breakover (M Gel):	666 66 666 66	666°66	€6 66	577.54 \$	625	625,00	47.46	\$ 4.2361 4.2361 4.2361		3,5527 3,5527	••
Sales for Resale (6-trich)	Ter One Breakover (M Gal): Ter Two Breakover (M Gal): Ter Three Breakover (M Gal):	666 66 666 66	666'86 666'86	## ##	1,155.07	1,250.00	8	24.93	4.2361		3.5527 3.5527 3.5527	•
Sales for Resale (8-Inch)	Ther One Breakover (M Gal): The Two Breakover (M Gal): Ther Three Breakover (M Gal):	666'66	666'66 666'66	84 9,	1,848.12 \$	2,000.00	•• :8	151,66	4.2361 4.2361	<u>6</u> 6 6 6	3.6527 3.5527 3.5527	•
Sales for Resale (10-inct)	Ther One Breakover (M Gal): Ther Two Breakover (M Gal): Ther Three Breakover (M Gal):	666 66 666 66	666'66 666'66	8 8	\$ 2,856.87 \$	2,875	2,875,00	218,33	4.2361 4.2361 4.2361	e 6 6	3.5527 3.5527 3,5527	\$ (0.6834) (0.6834) (0.6834)

ARIZONA WATER COMPANY
Test Year Ended December 31, 2011
Chariges in Representative Rate Schedules

DECISION NO.

ARIZONA WATER COMPANY Test Year Ended December 31, 2011 Changes in Representative Rate Schedules

Jorthern Group

Exhibit Schedule: Settlement H-3 Page 17 of 17

		•		The state of the s	Designation of the last of the		10 mm	
Service Charge	Current Rate				\$32,00			
Establishment	\$18.00							
Guarantes Deposit	Residential - maximum: Two(2) times average customer class bin.	one-twit (21/2) times	that customers		No Change.			
	estimated meximum morthly bill.				132.00			
Reconnection for Delinquency	\$16.00					.*		
				,				
Re-Establishment	Eight (8) times the customer's monthly minimum charge, or payment of the minimum shroe disconnection, whichever is less.	Ny minimum charge, o n, whichever is less.	x payment of		No Change	nus - no charge. After regular	working hours.	1
Service Call Out	During regular working hours - No d	- No charge, After regular working hours, pholidays + \$35.00	rorking hours.		on Seturdays, Sunday	During regules on Saturdays, Sundays, or holdays - a \$35.00 After Hours veryock consumption of Saturdays, Sundays, or holdays Charge is eliminated. The current Service Call Out After Hours Charge is eliminated.	Hours Service California de la californi	ì
	00 925.			,	No Change in rate, Chan insufficient funds:	No Change in rate, Change language to read "Refumed payment for traditions funds."	d payment for	
Returned Check								
Meter Re-read	No charge, if done during regular working hours, otherwise, a \$35,00 is sovide tall dut.	rorking frours, otherwi	96, a 135,00		All Metier file Reads - Schuld	All Meter Re-Reads - SCLUV All Meter Re-Reads - SCLUV All Meter Re-Reads - SCLUV All Meters Reads - SCLUV All Meters Re-Reads - SCLUV All Mete	gine customer w	돌
Manual Total	No charge for the first test, for the second test for the same customer.	second test for the sar	ine customer It time and material		No charge for the man way twelve (12) mont is greaten.	ornange for the markets, without period, \$25.00, or actual time and material, whichever any twelve (12) mont period, \$25.00, or actual time and material.	erd meterial, wn	<u>p</u>
	Whichever is greater.					Service Line	Meter	림
	States Office	Service Line	Meter		Weight Sales	445.00	155.00	٠.
Service Line and Meter Installation			setton e	800 00	S/6-inch		315.00	
	5/8-Inch	446.00	315.00	810.00	1-inch	830.00	1,045.00	
	1-Inch	830.00	1,045.00	1,875.00	Z' corripound	830.00	Actual Cost	Actual Cost
	Z" turbine	830.00	1,890.00	2,720.00	3" turbine	Actual Cost	Actual Cost	Actual Cost
	3. turbine	1,045.00	1,670,00	3,710,00	3° compound	Actual Cost	Actual Cost	Actual Cost
	a" compound	1,165.00	2,670,00	4,160.00	4 turbine	Actual Cost	Actual Cost	Actival Cost
	4" turbine	1,490.00	3.645.00	5,315.00	4" compound	Actual Cost	Actual Cost	Ardual Cost
	4" compound	2 210.00	5,025,00	7,235.00	punoomoo "9	Actual Cost	Actual Cost	Actual Cost
	6 turbite	2 330 00	6,920.00	9,250,00	6" turbine	Actual Cost	Actual Cost	Actual Cost
	er turbine	2,210,00	5,025,00	00 050 0	8" compound	Actual Cost	Actual Cost	Actual Cost
	P. compound	2,330.00	6,920,00	7.235.00	10" turbine	Actual Cost	Actual Cost	Actual Cost
	10" turbine	2,210,00	00.020.0	9,250.00	10" compound			
	10" compound	2,330,00	200		Actual cost of service	'a show cost of service line if both surder restway is required.	s required.	
	••				No Change:			
Late Charge	1.5 percent effer 15 days.	•						

Exhibit Schedule: Settlement H-4 Page 1 of 4

desidential 5/8 x 3/4 -inch	Ī	•											
desidential 5/8 x 3/4 -inch		<u>.</u>	en e		:		Total Par			4.			
Residentiel 5/8 x 3/4 -inch				.;					Proposed			ncrease	
Residential 5/8 x 3/4 -inch			Monthly	Ą		Present Rates	Rates		Rates -				Describent
Residential 5/8 x 3/4 -inch		Surcharges	Construption (N. Gal)		200	Buckense	95,3		Staff Direct				
₹esideriliel 3/8 x 3/4 -irkn		I COMMENT			40 BA				\$ 17.26		•	4.62	36.55%
•				ų.	35.74	₹	i jabi	35.74	39.85		*		12.26%
		•		o Ř	92.19	19	4	92,19	103.49			17.0	13.86%
				2 2	122.98	88	10 3	122.98	470.07			22.78	14.61%
Dreserri Rates				*	153,77	11	*	153.77	10.01			28.52	15.45%
				8	184,58	82	'n.	184.35	240.60			34.26	15.91%
				. en	215.35	35	¥:	210.33	206 13			39.99	18.25%
Basic Service Charge:	\$ 12.84	·		04	246.14	*	<b>j</b> l	240, 14	222 68			45.73	18.51%
	•			2	276.93	8	•	210.00	25B 19	_		51.47	16.73%
Tier One Breakover (M Gal):	ю (			2	307.72	72	• 1	238 51	395 72	***		57.21	18.90%
Tier Two Breakover (M Gal):	2 5			55	88	338.51	• -	000	432.25			62.95	17.05%
Ther Three Breakover (M Gal):	ARS'AD			8	8	369.30	ij	400 004	468,77			88.69	K) [:][
		•		.65	40C	50.00		430 88	505.30	·		74.43	17.27.75
Ther One Rate:	4.21.1			2	<u> </u>	430,89	Ç 1	461.87	541,83	:		80.17	17.30%
Tier Two Rate:	9.1360			75	9	491.07	11	A15.62	724.48	· <u>·</u>		108.86	10079
Tier Three Rate:	6.1580	*-		8	<b>5</b>	615.62	<b>\$</b> 1	023.63	1.089.78			168.25	18,00%
			•	8	92	923,52	Œ:	4 924 49	1 495.05			223.64	18.15%
-				200	1.23	231.42	<b>9</b> 0	21. CZ.	1 820.34			281.02	18.26%
Pronosed Rates - Staff Direct				250		,539,32	ŵ,	4 647.99	2 185.63			338.41	18.32%
	,			300	1,847.22	.22	ý :	1,011.45	9 550 91			395.80	18.37%
	٠.	,		350	2.15	2,155.12		2,133.12 2,483.03	2916.20			453.19	18.40%
Basic Service Charge:	\$ 17.28	i.'		004	2,463.02	3.02	j ?	2 770 92	3,281,49			510.58	16,4378
	•			064	2,770.92	0.92	î ş	3.078.82	3,646.78			567.96	18.4378
Tier One Breakover (M Gal):	5			8	in's	70.0	1	2 78R 79	4 012 07	*		625.33	20.40
Tier Two Breakover (M Gal):	2:6			260	3,386.72	5.72	*	0,000 p	4 477 35			692,74	18.48%
Tier Three Breakover (M Gal):	888 886 886			009	3,694.62	29		4 000 57		4		740.13	18.49%
				059	4,002.52	2.52	•	4.240.49		. 67		797.51	18.50%
Tier One Rate:	5 00 1 1 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	•		95	4.310.42	0.42	à,	A 848 23	5 473 22			854.90	18.51%
Tier Two Rate:	0.44.0	r. •		750	10	4,618.32		1 026 22	5 838.51	i že		912.29	18.52%
Tier Three Rate:	ocne.			8	4,926.22	9.27		E 944 19	6 203 79	.go		969.68	18.55%
				950	20	5,234,12		C 642 02	6.569.08	100		1,027.07	18.03%
				8	n i	2.02	Ĺď	8 157.82	7,299.66	· <b>6</b> 2		1,141.84	2000
			•	000	9	20.101.0		9 736 82	10,952,54	3		1,715,72	6 7C 91
				1,500	N. C	2,20.02	; ; <u>;</u>	19 \$15 82		ŭ		2,289.60	16.3878
				2,000	5,21	2,315.62	<b>j</b> *	1R 304 R7		. 60		2,863,48	18.60
				2,500	15,81	5,334,62 8,473.82	Fire(	18,473.82	21,911,17	Ţ		3,437.36	T8.81
				5,000									:
						•		e 26 34	29.82	32	<b>67</b>	3,58	13.64%
			Average Usage:	<b>60</b>	<b>(</b> )	5.24	<b>0</b> : .	17.72	<u>ن</u> : : :	2		4.19	23.64%
			Median Usage:	7.	<b>.</b>	16,73	• (	E 48 67		2	==	4.84	9.96%
			Standardized Usage:	7,5		70.00	¥	¥:	<b>.</b> .				
					Drinicabo	Pill of Lifet	ine Usade	Daystand Bill at Lifeline Usage (3.0 M Gal):	•	5			
					Cost of Ser	vice at Lifel	ine Usage	Cost of Service at Lifeline Usage (3.0 M Gal):	34,12	7			
						S Cost Dis		% Cost Discount at Literate League.					
						Cost of Ser	vice at Av	erage Usage	•	2			
					. 6	Cost Disc	ount at Av	% Cost Discount at Average Usage:	14.31%	*			

Supporting Schedules:

Typical Bill Analysis	E.				<u> </u>	Variet Visites	Verde Vreisy (Section), Philosopol, Remodel	Sold, Region	E	<b>IQ</b> 1	Ξ	E
	₹.		<u> </u>		İ			Trobas Bit		Pessel	Pricess	186
			the state of	,	Monthly Consumption		1	Present Rates	101	Rates -	Amount	Percent
	Rates		ACRIMOSICI		(M Gel)					26.33	varies	varies
peeldertiel 5/8 x 3/4 - Irich		j .					varies \$	· • •	Sales Andres	98.80		Verles
					<b>හ</b>	•		· '**	varies	78,99	Sales.	varies
					æ 8		varies	195	Varies	123.85	varies	Series .
Desert Rates					25		verles	<b>₽</b>	varies	146.28		
٠.					<u>Q</u>		varies varies	ej e	varies	168.71	\$91.6A	
	.01	23.10 \$	<b>.</b>		8 9		varies	<b>⊅</b>	A Talles	713.57	varies	
SERVICE CIMENS	•	•			\$		Varies	* •	Varies	236.00	Varies	
Tier One Breakover (M Gal):		n E			<b>S</b>	-	Vertes	i- 18	varies	258.43	SALUEA Varies	
Ther Two Breskover (M Gal):	č	566 00			<b>E</b>		varies	•	varies	280.80	Seles.	
The Three Breakover (M Gall):	•	:		٠	8 8		varies	. •	Varion	825.72	Varies	_
Tier One Bate.	-	Veries S	<del>.</del> .		2		varies	*	varies varies	348.15	Varies	
Tier Two Rate:	-	varies	•		2		varies	e e	varies	460.30		٠.
Tier Three Rate:		veries	•		\$		veries	P #	veribs	684.60	SPLEA	
٠.			-	,	<u> </u>		Varios		varies	908.89	varies	
					8		Varies	*	varies	1,133,19	varies	
Proposed Rates - Staff Direct							varies	À.	varies varies	581.79	VENIER	· ·
					98		varies	<b>√e</b> -⊃	vertes	1,806.09	Vertes	uo V
Basic Service Charge:	40	25.33	# •		90	•	Varies	1.79	varies	2,030,39	varies	· 100
The Contract of the Contract o		65			8 6		varies	g <b>*</b>	National Parties	2,478.98	varies	
Tier Offic Bleakover (M Gal):		2			9		varies	1.	Agr jes	2 703.28	Varies	2
Tier Three Breakover (M Gai):	•	666,666			009	٠	varies	<b>i</b> ; j	Varids	2,927.58	Varies	e #
:		2,1210	:4·		029		varies		varies	3,151.88	Salies	2 📆
Tier One Rate:	•	3.5527	· •.		36		varies	ţ.	varios	3,3(0.1)	varies	<b>S</b>
Tier (wo rate:		4.4860		;			varies	*		1824.77	varies	<b>.</b>
					088		varies	¥.		A.049.07		<b>8</b>
					006		varies	• 3	Selection .	4,497.66	Nacion Variety	8.1
					1,000		varies	á	Varies	6,740.65		6 1
					1,500		Varios	1	varies	8,983.83	varies	: 3 <b>2</b>
					2,000		Tel.	: •	Valles	10.972/11	Varies	80
					000,4		varies	<b>.</b>	VBLIG	13,469,09		
			- 7									•
							andrew.	ş	varies	•	WELES.	. v
				Average Usage:			20104	ő	veries	•	Series	<b>.</b>
				Median Usage:			varies \$	· #	varies	89.74		ì
				Standardized Usage:				•				
						r č	Proposed Bill at Lifetine Usage (5.0 M Gal):		16 (3.0 M Gal):	•		
						3	P CO	it Discount at	% Cost Discount at Lifeline Usage:			
-							į	Security of Average Usage:	Jane 1 Janes	195		
								T CONTROL OF	Anna			

Exhibit Schedule: Settlement H-4 Page 3 of 4

III Analysis	X	æ	11/2	[9]	Verde Valley (Bedon		E	[6]		E	E
	Ξ.			<i>J</i>		100000	The state of the state of			•	
			*	1				pioposed	1	Increase	38
				MOTIUM	Æ	Present Rates		Rates		Amount	Dercent
	83 and 1	Surcharges		(M Gal)	Base	Surchairpe		Staff Direct			
	Kare	NO THE PARTY OF TH			C 200	2 227	78.97	\$ 25.33	•	(0.64)	-2.46%
Residential of a x of a man					21.63	4.24	35.76	36.80		90.0	21 4094
	٠.			ក <b>ដ</b>	63.05	88	60,03	18.99		90.00	28.27%
		• •		2 8	65.01	8.34	73.35	101,42		27.4% 44.4%	42.89%
				8 8	78.96	9,71	86.68	123.85		40.00	48.28%
Present Autes				Q E	88.92	11,08	100,00	146.28			AR 88%
				2	100.87	12:45	113.32	168.71		00'00 V 40	50 93%
Similar Carried Charles	\$ 23,10	\$ 2.87		g <b>ş</b>	112.83	13.82	128.65	191.14		73.80	52.58%
BBSIC OCTANGE CHANGE.		:		8· <b>4</b>	124.78	15,19	139.97	213.57		52.53	53,95%
Tine Deschance (M Gell.				2 5	136.74	16.58	153.29	238.00		100	55.10%
The Old Distances (M Cal)	5	٠.		2 4	148.69	17.92	166.62	258.43		100 001	66.09%
The two breakover (m cel).	666'66			8 8	160.65	19.29	179.94	280.86		110.03	56.93%
ilet ittee Dieskoret (m Car):					172.60	20.68	193.26	303.29		140 13	57.67%
	1,5317	•		8 7	184.58	22,03	206.59	325.72		138.54	58.31%
Test Cree rate.	1.9147		_	2 #	198.51	23,40	219.91	348.15		17.87	80,65%
Tier I wo Kale:	2.3910			6.8	256.29	30,24	286.53	460.30		28.48	63.09%
Tier in se rate:		:		3 5	375.84	43.93	419.78	684.60		20.1.02 10.1.02	64.36%
		•		000	495 39	57,61	553.00	89.806		X 48 QR	65, 13%
The state of the s				900	614.94	71.30	686.23	1,133.19		538 02	469,66%
Proposed Kales - Stall Ollacs				007	734.49	84.98	819.47	1,357,49		829.09	86,03%
				200	854.04	98.67	952.70	1,581.79		720 15	68.32%
The state of the s	\$ 25.33	*	,	8 8	973.59	112.35	1,085.94	1,806.09		R11.21	66.54%
		:		3 6	1,093.(4	126.04	1,219.17	2,030,39		902.28	68.72%
Trac One Breshover (M Gel):	4.0	<b>(</b> 0)		COL	1,212.69	139.72	1,352.41	2,254.00		993 34	68.86%
The Unio Breakning (M GBD)	9				1.332.24	153.41	1,485.64	2,476.90		1 DBA 40	88 88%
Tier Three Breekruer (M GBI):	666'86		-		1.451.79	167.09	1,618.88	2,703.28		178 AR	87.09%
				8	1.571.34	180.78	1,752,11	2,927,58		1 200 63	67.18%
Tine One Date	\$ 2.1210	* O		86	1.890.89	194,48	1,885.35	3,151.68		20.002,1	67 25%
The Cita Ivale.	3,552)	1		3 9	1810.44	208.15	2,018,56	3,376.17		1,007	87.20%
Her I wo raine.	A 4860			ne)	00 000	221 83	2,151.82	3,600.47		1,448.00	67.3000
				2	2 Odo KA	735.52	2,285,05	3,824.77		1,539.72	97 4.94
			٤	920	000000	940.50	2.418.29	4,049.07		1,630.78	200
				006	2,108,03	278.57	2 684 76	4,497.66		1,812.91	86.50.30
				000	C - 004-7	114.42	4.017.11	6,740.65		2,723.54	67.50%
		,		200	5000000	KEN 27	5.349.48	8,983,63		3,634.17	
		•		2,000	0 000	807.49	A F81.81	11,228.61		4,544.80	
•		•		2,500	7 100 19	823.97	8.014.16	13,489.59		5,455,43	68.07%
				3,000	21.002.77		•				
										9	18 54%
					\$ 38.71	\$ 5.27	\$ 43.97	<b>10</b>			
		•	Average Usage:		\$ 31.96	\$ 4.30	\$ 38.27	is (		A 455	
		•	Chandardised Hears		\$ 36.31	4.92	\$ 41.23	47.00		•	
							200	91 60			
•		•			Proposed Bill at Lifeline Usage (3:0 M Cally Value)	t Lifeline Usage	TO M CO.	P. 41			
					COST OF SELVICE IN	Wice at Lifetime Deale (3.5 m 3.5.7.) 94 Cost Discount at Lifetime Deale	Heline Usage	· ·			
					Cost	Cost of Service at Average Usage:	verage Usage	59.13		•	
					% Cost	% Cost Discount at Average Usage:	verage Usege		•		

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Committee   Comm		[A] [B]	Σ						
Sale   Such trape   Chicago   Chic					a I		Proposed	plot	188
Secretary   Controlled   Basis Secretary   Controlled   Basis Secretary   Controlled   Basis Secretary   Controlled   Basis Secretary   Controlled			Morthly	!	Oversity Rath		Rates-		Theorem
(1987)			Consumption (M Gal)	Į.	Surchaine	100	Staff Direct	CHESTO	
15.27   11.28   11.28   11.28   12.2	Charles Ale or Old Internation of					\$ 23.10	\$ 25,33	\$ 2.23	4.00.9 4.00.9
16   16   17   18   18   18   18   18   18   18		•			*	41.74	39.80	(10.41)	-11.64%
18.57   18.5				68	•	89.40	6418/	(14.45)	-12.47%
14,235   1			- 8		4	115.87	101.42	(18.50)	-13.00%
18.83   18.83   18.84   18.8	Present Rates					142.35	148.28	(22.55)	-13,38%
\$ 22.10 \$			· **	_		168.83	188.71	(26.59)	-13,62%
## 20.00			***		•	100 F	191.14	(30.64)	-13.82%
\$ 3,3891 \$ 50.00 \$ 50.21 \$ 50.21 \$ 50.00 \$ (45.27) \$ 10.00 \$ (45.2	Basic Service Charge:	\$ 01.62 \$	4		<b>.</b> .	96.077	213.57	(34.89)	-13.97%
\$ 3,300 1			4	5 248	•	27.04.20	238.00	(38.74)	-14.10%
\$ 3,3881 \$ 3,0881 \$ 5 57.08 \$ 357.09 \$ 357.00 \$	Tier One Breakover (M Gel):	? <b>E</b>	100	274	4	27.17	258.43	(42.78)	-14.20%
## 3.3891 # \$ 10.00	Tier Two Breakover (M Gal):	20000	w	301		327.69	280.86	(46.83)	14.287
# 2.539 # 26.04	Tier Three Breakdver (M GAI):		80	320	2 1	354.17	303.29	(50.88)	19.37
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DECISION NO.\_\_\_\_

## **EXHIBIT 1**

DECISION NO.

## ARIZONA WATER COMPANY

## PHASE 2-EASTERN GROUP GENERAL RATE CASE

SETTLEMENT AGREEMENT
REGARDING DISTRIBUTION SYSTEM IMPROVEMENT CHARGE ("DSIC")
AND OTHER DSIC-LIKE PROPOSALS

### SETTLEMENT AGREEMENT ON DSIC AND DSIC-LIKE PROPOSALS AND LIST OF SIGNATORY PARTIES

The purpose of this Settlement Agreement ("Agreement") is to settle specific, identified remaining issues related to Phase 2 of Docket No. W-01445A-11-0310, Arizona Water Company's ("AWC" or "Company") application to increase rates for its Eastern Group of systems as identified in its August 5, 2011 application ("Rate Case"). These remaining issues relate to a DSIC proposal presented by AWC in the Rate Case and the parties' responses to that proposal, including presentation of DSIC-like proposals. This Agreement is entered into by the following entities:

### Arizona Water Company

Arizona Corporation Commission Utilities Division ("Staff")

Global Water - Palo Verde Utilities Company, Global Water - Santa Cruz Water Company, Valencia Water Company - Greater Buckeye Division, Water Utility of Greater Tonopah, Willow Valley Water Co. and Water Utility of Northern Scottsdale (collectively the "Global Utilities")

EPCOR Water Arizona Inc.

Rio Rico Utilities, Inc. dba Liberty Utilities ("Liberty Utilities")

The Water Utility Association of Arizona ("WUAA")

Arizona Investment Council ("AIC")

These entities shall be referred to collectively as the "Signatory Parties."

### TERMS AND CONDITIONS

In consideration of the promises and agreements contained in this Agreement, the Signatory Parties agree that the following numbered sections and subsections, including attached exhibits and schedules, comprise the Signatory Parties' Agreement.

### 1.0 RECITALS

- 1.1 Docket No. W-01445A-11-0310 was commenced by the filing of a rate application by AWC on August 5, 2011. AWC's application ("Application"), among other relief, proposed that the Arizona Corporation Commission ("ACC" or "Commission") adopt a Distribution System Improvement Charge ("DSIC").
- 1.2 Following a sufficiency finding by Staff on September 6, 2011, RUCO filed an Application to Intervene on September 14, 2011. Kathie Wyatt filed an Application to Intervene on October 20, 2011.
- 1.3 The Administrative Law Judge granted the applications to intervene filed by RUCO and Kathie Wyatt. No other persons or entities intervened in the Rate Case or participated in the proceedings until after the Commission entered its Decision No. 73736 on February 20, 2013.
- 1.4 The Administrative Law Judge scheduled an evidentiary hearing on the Application to commence on May 14, 2012. The evidentiary hearing closed on May 24, 2012. Testimony and exhibits were presented by AWC, RUCO, and Staff. Kathie Wyatt did not appear.
- 1.5 Following post-hearing briefing, the Administrative Law Judge issued a Recommended Opinion and Order ("ROO") on January 30, 2013. AWC and RUCO filed exceptions to the ROO and Staff responded to AWC's exceptions. In addition, amendments to the ROO were presented at the Open Meeting at which the Commission considered the ROO on February 12, 2013. At the Open Meeting on that date, the Commission voted 5-0 to adopt Decision No. 73736, and reopened intervention for the limited purpose of discussing AWC's DSIC proposal, other DSIC-like proposals, and the possibility of achieving a settlement or compromise on the two. On February 21, 2013, the Administrative Law Judge issued a Procedural Order setting forth a schedule for the determination of the remaining issues in Phase 2 of the Rate Case (the "Phase 2 Proceedings").
- 1.6 The Global Utilities, EPCOR Water Arizona Inc., Liberty Utilities, WUAA, Arizona Investment Council and the City of Globe moved to intervene and were granted intervention in the Phase 2 Proceedings. Staff filed a notice of settlement discussions on February 21, 2013, setting settlement discussions in the Phase 2 Proceedings for March 4, 2013. The Signatory Parties and Kathie Wyatt were notified of the settlement discussion process, were encouraged to participate in the negotiations, and were provided with an equal opportunity to participate. Formal settlement discussions between the Signatory Parties began on the scheduled date of March 4, 2013. Kathie Wyatt did not appear or participate. A settlement was reached on all issues in the Phase 2 Proceedings by the participating Signatory Parties.

- 1.7 The Signatory Parties agree that the negotiation process undertaken in this matter was open, transparent and inclusive of all Signatory Parties, with each such party having an equal opportunity to participate. All Signatory Parties attended and actively participated in the settlement discussions. This Agreement is a result of those meetings and the Signatory Parties' good faith efforts to settle all of the issues presented in the Phase 2 Proceedings.
- 1.8 The purpose of this Agreement is to document the settlement of all issues presented in the Phase 2 Proceedings in a manner that will promote the public interest and provide for a prompt resolution of the issues on the schedule ordered by the Commission.
- 1.9 The Signatory Parties agree that the terms of this Agreement will serve the public interest by providing a just and reasonable resolution of the issues presented in the Phase 2 Proceedings and promoting the health, welfare and safety of customers. Commission approval of this Agreement will further serve the public interest by allowing the Signatory Parties to avoid the expense and delay associated with continued litigation of the Phase 2 Proceedings.
- 1.10 The Signatory Parties agree to ask the Commission to (1) find that the terms and conditions of this Agreement are just and reasonable and in the public interest, along with all other necessary findings, and (2) approve the Agreement and order that the Agreement and the System Improvement Benefits ("SIB") mechanism contained herein shall become effective at the earliest practicable date.

### 2.0 SYSTEM IMPROVEMENT BENEFITS ("SIB") MECHANISM

- 2.1 It is necessary for AWC to undertake a variety of system improvements in order to maintain adequate and reliable service to existing customers. AWC is also required to complete certain system improvements in order to comply with requirements imposed by law. The Signatory Parties acknowledge that these projects are necessary to provide proper, adequate and reliable service to existing customers; are not designed to serve or promote customer growth; and will not comprise an upgrade or expansion of existing plant unless justified for existing customers per Section 6.3.3.
- 2.2 Both the cost of these projects and the timing of their proposed completion and other factors set forth in the record create a circumstance for AWC that justifies the implementation of a SIB mechanism.
- 2.3 For ratemaking purposes and for the purposes of this Agreement, the Signatory Parties agree that the Commission may authorize a SIB mechanism for AWC in Docket W-01455A-11-0310. The SIB mechanism is a ratemaking device designed to provide for the timely recovery of the capital costs (depreciation expense and pre-tax return on investment) associated with distribution system improvement projects meeting the requirements contained herein and that have been completed and placed in service and where costs have not been included for recovery in Decision No. 73736.
- 2.4 A list of these projects and an estimation of the capital costs of each is set forth in SIB Plant Table I, attached hereto as Exhibit A

2.5 AWC may seek a SIB surcharge for projects on SIB Plant Table I that have been completed and placed into service, per SIB Plant Table II (Exhibit C).

### 3.0 CALCULATION OF AMOUNTS TO BE COLLECTED BY THE SIB SURCHARGE

- 3.1 The amount to be collected by the SIB surcharge ("SIB Authorized Revenue") shall be equal to the SIB revenue requirement minus the SIB efficiency credit.
- 3.2 The SIB revenue requirement is equal to the required pre-tax return on investment and depreciation expense associated with SIB-eligible projects that have been completed and placed into service, per SIB Plant Table II (Exhibit C), net of associated retirements. For such calculation:
- 3.2.1 The required rate of return is equal to the overall rate of return authorized in Decision No. 73736.
- 3.2.2 The gross revenue conversion factor/tax multiplier is equal to the gross revenue conversion factor/tax multiplier approved in Decision No. 73736 and;
- 3.2.3 The applicable depreciation rate(s) is equal to the depreciation rate(s) approved in Decision No. 73736.
- 3.3 The SIB Efficiency Credit shall be equal to five percent of the SIB revenue requirement.
- 3.4 The amount to be collected by each SIB surcharge filing shall be capped annually at five percent of the revenue requirement authorized in Decision No. 73736.

### 4.0 TIMING AND FREQUENCY OF SIB FILINGS

- 4.1 For ratemaking purposes and for purposes of this Agreement, the Signatory Parties agree that:
- 4.2 AWC may make its initial SIB surcharge filing no earlier than twelve months after the entry of Decision No. 73736.
- 4.3 Any subsequent SIB surcharge filings shall be made within sixty (60) days of the end of the previous twelve (12)-month SIB surcharge period.
- 4.4 AWC may make no more than one (1) SIB surcharge filing every twelve (12) months.
- 4.5 AWC is permitted no more than five (5) SIB surcharge filings between rate case decisions.

- 4.6 Unless otherwise authorized by the Commission, AWC (Eastern Group) shall be required to file its next general rate case no later than August 31, 2016 with a test year ending no later than December 31, 2015.
- 4.7 Any SIB surcharges that are in effect shall be reset to zero upon the date new rates become effective in AWC's next general rate case.
- 4.8 Every six (6) months AWC shall file a report with Docket Control delineating the status of all SIB eligible projects listed per SIB Plant Table I above, and may include modifications to that list for approval by the Commission using the process referenced in Section 6.0.
- 4.9 AWC shall make an annual SIB surcharge filing to true-up its collections under the SIB surcharge and establish the surcharge for the new surcharge period. A new SIB surcharge may be combined with an existing SIB surcharge such that a single SIB surcharge and SIB efficiency credit are shown on a customer's bill.

### 5.0 RECONCILIATION AND TRUE-UPS

- 5.1 The revenue collected by the SIB surcharge over the preceding twelve months shall be trued-up and reconciled with the SIB Authorized Revenue for that period.
- 5. 2 For each twelve (12) month period that a SIB surcharge is in effect, AWC shall reconcile the amounts collected by the SIB surcharge with the SIB Authorized Revenue, for that twelve (12)-month period, consistent with Schedule B, attached hereto as Exhibit B.
- 5.3 Any under- or over-collected SIB revenues shall be recovered or refunded, without interest, over a twelve-month period by means of a fixed monthly true-up surcharge or credit.
- 5.4 Starting with the second annual SIB surcharge, where there are over/under-collected balances related to the previous annual SIB surcharge, such over/under-collected balances shall be carried over to the next year, and capped to the extent annual revenues do not exceed the five percent cap. If, after the five year period there remains an over/under-collected balance, such balance shall be reset to zero, and any over/under-collected balance shall be addressed in the Company's next rate case for the Eastern Group.

### 6.0 ADDING PROJECTS TO SIB PLANT TABLE I

6.1 For ratemaking purposes and for purposes of this Agreement, the Signatory Parties agree that AWC, during the period to which the SIB applies, may request Commission authorization to modify or add other projects to SIB Plant Table I. Such additional projects may be added to SIB Plant Table I if they satisfy the criteria set forth in Paragraphs 6.2, 6.3, and 6.4.

- 6.2 To be eligible for SIB recovery, an asset must be utility plant investment that represents expenditures made by the Company to maintain or improve existing customer service and system reliability, integrity and safety. Eligible plant additions are limited to replacement projects. The costs of extending facilities or capacity to serve new customers are not recoverable through the SIB mechanism.
- 6.3 To be eligible for SIB recovery, a project must be a distribution system improvement that satisfies at least one of the following criteria:
- 6.3.1 Water loss for the system exceeds ten (10) percent, as calculated by the following formula:
- 6.3.1.1 ((Volume of Water Produced (Volume of Water Sold + Volume of Water Put to Beneficial Use))/(Volume of Water Produced)). If the Volume of Water Put to Beneficial Use is not metered, it shall be established in a reliable, verifiable manner;
- 6.3.2 Water Utility plant assets have remained in service beyond their useful service lives (based on that system's authorized utility plant depreciation rates) and are in need of replacement due to being worn out or in a deteriorating condition through no fault of the Company;
- 6.3.3 Any other engineering, operational or financial justification supporting the need for a plant asset replacement, other than AWC's negligence or improper maintenance, including, but not limited to:
- 6.3.3.1 A documented increasing level of repairs to, or failures of, a plant asset justifying its replacement prior to reaching the end of its useful service life (e.g. black poly pipe);
- 6.3.3.2 Meter replacements for systems that have implemented a meter testing and maintenance program in compliance with A.A.C. R14-2-408 (E);
- 6.3.3.3 Meters replaced in a system for the purpose of complying with the U.S. Environmental Protection Agency's Reduction of Lead in Drinking Water Act of 2010; and
- 6.3.3.4 Assets that are required to be moved, replaced or abandoned by a governmental agency or political subdivision if AWC can show that it has made a good faith effort to seek reimbursement for all or part of the costs incurred.
- 6.4 To be eligible for SIB treatment, a project must be a distribution system improvement with assets to be classified in the following plant categories:
  - 6.4.1 Transmission and Distribution Mains;
  - 6.4.2 Fire Mains;

- 6.4.3 Services, including Service Connections,
- 6.4.4 Valves and Valve Structures;
- 6.4.5 Meters and Meter Installations:
- 6.4.6 Hydrants
- 6.5 With a request to modify or add projects to SIB Plant Table I, AWC shall provide a proposed order for Commission consideration. Staff and RUCO shall have 30 days to object to the projects AWC is seeking to include in its revised SIB Plant Table I. Staff shall promptly process AWC's request and shall docket any Staff recommendations to the Commission within thirty days after AWC has filed its request. If there is no objection to AWC's request, that request shall be placed on an open meeting agenda at the earliest practical date.

### 7.0 SIB SURCHARGE FILING REQUIREMENTS

- 7.1 For ratemaking purposes and for all purposes of this Agreement, the Signatory Parties agree that AWC shall include the following information with each SIB surcharge filing:
- 7.1.1 A schedule (an example of which is attached hereto as Exhibit C, SIB Plant Table II) showing the SIB eligible projects completed for which AWC seeks cost recovery. Such projects must 1) be projects set forth in AWC's initial SIB Plant Table I or have been added to said SIB Plant Table I pursuant to Section 6.0 of this agreement; 2) have been completed by AWC; and 3) be actually serving customers.
- 7.1.2 SIB Schedule A (an example of which is attached hereto as Exhibit D), showing a calculation of the SIB revenue requirement and SIB efficiency credit, as well as the individual SIB fixed surcharge calculation;
- 7.1.3 SIB Schedule B (an example of which is attached hereto as Exhibit B), showing the overall SIB revenue true-up calculation for the prior twelve-month SIB surcharge period, as well as the individual SIB fixed true-up surcharge or credit calculation:
- 7.1.4 SIB Schedule C (an example of which is attached hereto as Exhibit E) showing the effect of the SIB surcharge on a typical residential customer bill;
- 7.1.5 SIB Plant Table II, summarizing SIB-eligible projects completed and included in the current SIB surcharge filing.
- 7.1.6 SIB Plant Table I (an example of which is attached hereto as Exhibit A), summarizing SIB-eligible projects contemplated for the next twelve (12)-month SIB surcharge period.

- 7.1.7 SIB Schedule D (an example of which is attached as Exhibit F) showing an analysis of the impact of the SIB Plant on the fair value rate base, revenue, and the fair value rate of return as set forth in Decision No. 73736.
  - 7.1.8 A proposed order for the Commission's consideration.
- 7.2 At least 30 days prior to the SIB surcharge becoming effective, AWC shall provide public notice in the form of a billing insert or customer letter which includes the following information:
  - 7.2.1 The individual SIB surcharge amount, by meter size;
  - 7.2.2 The individual SIB efficiency credit, by meter size;
  - 7.2.3 Any individual SIB true-up surcharge or credit, by meter size; and
- 7.2.4 A summary of the projects included in the current SIB surcharge filing, including a description of each project and its cost.

### 8.0 RATE DESIGN

- 8.1 The SIB fixed surcharge/rate design shall be calculated as follows:
- 8.1.1 The SIB surcharge shall be a fixed monthly surcharge containing a SIB fixed surcharge and the SIB efficiency credit as its two components.
- 8.1.2 The SIB surcharge shall be calculated by dividing the overall SIB revenue requirement by the number of 5/8-inch equivalent meters serving active customers at the end of the most recent twelve (12) month period, and shall increase with meter size based on the following meter capacity multipliers:

8.1.2.1	5/8-inch x <sup>3</sup> / <sub>4</sub> -inch	1.0 times
8.1.2.2	l-inch	2.5 times
8.1.2.3	1 ½-inch	5 times
8.1.2.4	2-inch	8 times
8.1.2.5	3-inch	16 times
8.1.2.6	4-inch	25 times

 8.1.2.7
 6-inch
 50 times

 8.1.2.8
 8-inch
 80 times

 8.1.2.9
 10-inch & above
 115 times

8.2 The SIB surcharge shall apply to all of AWC's metered general service customers, including private fire service customers.

### 9.0 SIB SURCHARGE IMPLEMENTATION

- 9.1 For ratemaking purposes and for all purposes of this Agreement, the Signatory Parties agree that:
- 9.2 AWC's SIB surcharges and SIB true-up surcharges/credits shall not become effective unless approved by the Commission.
- 9.3 AWC shall provide a proposed order with each SIB surcharge filing for the Commission's consideration.
- 9.4 Staff and RUCO shall have thirty (30) days from the date a SIB surcharge filing is made by AWC to review the amount of the SIB surcharge or SIB true-up surcharge or credit, and dispute and/or file a request for the Commission to alter the SIB surcharge or SIB true-up surcharge/credit. If no objection is filed to AWC's request within the thirty-day timeframe, the request shall be placed on an open meeting agenda at the earliest practicable date.

### 10.0 COMMISSION REVIEW OF SIB MECHANISM

- 10.1 For ratemaking purposes and for all purposes of this Agreement, the Signatory Parties agree that the Commission may determine that good cause exists to suspend, terminate or modify AWC's SIB mechanism, after the affected parties are afforded due process and an opportunity to be heard prior to any suspension, termination, or modification of the SIB mechanism.
- 10.2 The Signatory Parties agree that, although the SIB mechanism discussed in this agreement may be used as a template in other rate proceedings, it is specific to AWC in Docket W-01455A-11-0310. The Signatory Parties further agree that Staff may recommend and/or that any utility may apply to the Commission for a similar SIB mechanism for projects meeting the criteria outlined herein in a full rate case application.

### 11.0 COMMISSION EVALUATION OF PROPOSED SETTLEMENT

- 11.1 This Agreement shall serve as the procedural device by which the Signatory Parties will submit their proposed settlement of the Phase 2 Rate Proceeding to the Commission. Nothing herein is intended to amend or supersede Decision No. 73736, which Decision is final in every respect.
- 11.2 All currently-filed testimony and exhibits, as well as the testimony in support of this Agreement anticipated by the Commission's February 21, 2013 Procedural Order, shall be offered into the Commission's record as evidence. All Signatory Parties waive the filing and submission of surrebuttal testimony and exhibits from Staff and Intervenors, and the filing and submission of rejoinder testimony and exhibits from AWC.
- 11.3 The Signatory Parties recognize that the Commission will independently consider and evaluate the terms of this Agreement.
- 11.4 If the Commission issues an order adopting all material terms of this Agreement, such action shall constitute Commission approval of the Agreement. Thereafter, the Signatory Parties shall abide by the terms of this Agreement, as approved by the Commission.
- filing testimony in support of the Agreement and presenting evidence in support of the Agreement at the hearing in the Phase 2 Proceedings scheduled to begin on April 8, 2013, and will not oppose any provision of the Agreement in pre-filed or live testimony. The parties agree to waive their rights to appeal a Commission Decision approving the same, provided that the Commission approves all material provisions of the Agreement. The Signatory Parties shall take reasonable steps to expedite consideration of the settlement, entry of a Decision adopting the settlement, and implementation of the mechanism anticipated in this Agreement, and shall not seek any delay in the schedules set for consideration of the Agreement or for the Administrative Law Judge's or Commission's consideration of the settlement embodied in the Agreement. If the Commission adopts an order approving all material terms of this Agreement, the Signatory Parties will support and defend the Commission's order before any court or regulatory agency in which it may be at issue.
- Agreement or adds new or different material terms to this Agreement, any or all of the Signatory Parties may withdraw from this Agreement, and such Signatory Party or Parties may pursue without prejudice their respective remedies at law. For the purposes of this Agreement, whether a term is material shall be left to the discretion of the Signatory Party choosing to withdraw from the Agreement. If a Signatory Party files an application for rehearing before the Commission, Staff shall not be obligated to file any document or take any position regarding the withdrawing Signatory Party's application for rehearing.
- 11.7 The Signatory parties recognize that Staff does not have the power to bind the Commission. For purposes of proposing a settlement agreement, Staff acts in the same manner as any party to a Commission proceeding.

### 12.0 MISCELLANEOUS PROVISIONS

- 12.1 The provisions set forth in the Agreement are made for purposes of settlement only and shall not be construed as admissions against interest or waivers of litigation positions of the Signatory parties in this proceeding or related to other or future rate cases.
- 12.2 This Agreement represents the Signatory Parties' mutual desire to settle disputed issues in a manner consistent with the public interest. None of the positions taken in this Agreement by any of the Signatory Parties may be relied upon as precedent in any proceeding before the Commission, any other regulatory agency, or any court for any purpose except in furtherance of this Agreement.
- 12.3 This case presents a unique set of circumstances and to achieve consensus for settlement, participants may be accepting positions that, in other circumstances, they would be unwilling to accept. They are doing so because the Agreement, as a whole, with its various provisions for settling the unique issues presented by this case, is consistent with their long-term interests and with the broad public interest. The acceptance by any Signatory Party of a specific element of this Agreement shall not be considered as precedent for acceptance of that element in any other context.
- 12.4 No Signatory Party is bound by any position asserted in negotiations, except as expressly stated otherwise in this Agreement. No Signatory Party shall offer evidence of conduct or statements made in the course of negotiating this Agreement before this Commission, or any other regulatory agency, or any court.
- 12.5 Each of the terms and conditions of the Agreement is in consideration and support of all other terms. Accordingly, the terms are not severable.
- 11.6 The Signatory Parties warrant and represent that each person whose signature appears below is fully authorized and empowered to execute this Agreement.
- 12.7 The Signatory Parties acknowledge that they are represented by competent legal counsel and that they understand all of the terms of this Agreement and have had an opportunity to participate in the drafting of this Agreement and to fully review it with their counsel before signing, and that they execute this Agreement with full knowledge of the terms of the Agreement.
- 12.8 This Agreement may be executed in any number of counterparts and by each individual Signatory Party on separate counterparts, each of which when so executed and delivered shall be deemed an original and all of which taken together shall constitute one and the same instrument. This Agreement may also be executed electronically or by facsimile.
- 12.9 To the extent any provision of this Agreement is inconsistent with any existing Commission order, rule or regulation, this Agreement shall control.

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	Name: Ron Fleming

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COMPAN	V				

Name: Ron Fleming

Its: Vice-President

VALENCIA WATER COMPANY - TOWN DIVISION

Name: Ron Fleming
Its: Vice-President

VALENCIA WATER COMPANY - GREATER BUCKEYE DIVISION

Name: Ron Fleming
Its: Vice-President

WATER UTILITY OF GREATER TONOPAH

Name: Ron Fleming

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WILLOW VALLEY WATER CO.

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### **EXHIBIT A**

SUPERSTITION/APACHE JUNCTION TABLE I (Page 1 of 6) Information to be included with SIB-Eligible Project Notification

Y	Acct No. (SIB-etigible	-	(SIB-clig)	(SiB-clgible plant)		ğ	(location description)			e replacement of existing plant that has exceeded the to useful life and has worn out or is in deteriorating condition due to no fault of the utility.  Teplacement of existing plant to address excessive water loss (10th or more)  Existing plant for other reasons supported by the constant of existing plant for other reasons supported by
Project No. S	369 Supply Mains	Pipe léngth	Diameter	Material	Creditur			Expected In-Service Date	(estimated)	persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority.
	+ . 1 //•									3. Provide narrative explaining how replacing this plant will benefit existing customers.
									•	<ol> <li>Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.</li> </ol>
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DECISION NO.
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SUPERSTITION/APACHE JUNCTION TABLE I (Page 1 of 6) cont. TABLE I (Page 1 project Notification	08 00-11		DOCKE	Γ NO. W-01445A-12-0348	05
SUPERST TAI	32 NA CE	+++		DECISION NO.	Subtotal Cost (estimate)

### SUPERSTITION/APACHE JUNCTION TABLE I (Page 2 of 6) Information to be included with SIB-Eligible Project Notification

1. Provide nisrrative why Replacement Plent is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more)	1	2. Provide narative explaining why this segment of plant is a priority.	3. Provide marative explaining how replacing this plant will benefit existing customers.	<ol> <li>Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.</li> </ol>		 1) The existing water main and pervice connections to be replaced  The existing water main and service connections to be replaced  The existing water main and service connections to be replaced  The existing water main and service connections. This replacement  replacement being constructed to serve new customers. Provided	further described and documented in Exhibit FKS-13	Institut approximately 630 Lf. of beinda LJ replacement pube with public public acrite connections, replace 102 meters, polywap, replace 102 meters, and Landon for the public pu			
Replacement Plant	d Cöst				0\$	19,894	1		\$57,727	8	08
Repie	Expected In-Service					2015			2014		
Site (location description)						Boise St.		•	114°St.		
PWSID No.		.,%			11-004	11-094			11-004	11-004	11-004
	Cost/Unit					88.88	·		80 80 11		
Description ; plant)	Material					ā		:	ā		
Replacement Plant Description (SIB-eligible plant)	Distributor					•			<b>6</b>		
2	Pipe length					1,350			059		
NARUC Acet No. (SIB- eligible plant)	343 T&D	Mains			NA A	343			343	¥.	NA
	Project No.			<u>-</u>	-	~			m .		9

DOCKET NO. W-01445A-12-0348

SUPERSTITION/APACHE JUNCTION TABLE I (Page 2 of 6) cont. Information to be included with SIB-Eligible Project Notification

Install approximately 4,700 LF of 6-inch DI replacement pupe with polywrap, replace 32 service connections and replace 32 meters along Hidalgo Street and Condo Street. This project will replace approximately 2,930 LF of 1.5-inch and 2-inch dwill also replace approximately 2,330 LF of 1.6-inch and 2-inch dwill also replace approximately 2,330 LF of 1-inch and 2-inch dwill also replace approximately 2,330 LF of 1-inch and 2-inch dwill also replace approximately 2,330 LF of 1-inch and 2-inch dwill also replace mains and service connections to be replaced have 19 recorded leaks over the last 8 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.					1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1		Training and the family to the line of the fine of the blacement pipe with		) ·	Hint with the consequence of the with	install approximately out it is not the productions, replace 3 neters, and polywrap, replace 3 service connections, replace 3 neters, and polywrap, replace 3 service connections, replace 3 neters, and replace 10 neters, and replace approximately 600 LF of 6-inch CA water main installed in 1960 and 1984 along Broadway Avenue. The existing water mains and service Readway Avenue. The existing water mains and service connections to be replaced has 7 recorded leaks over the last 10 connections to be replaced has 7 recorded leaks over the last 10 connections to be replaced has 7 recorded leaks over the last 10 connections to be replaced has 7 recorded leaks over the last 10 connections to be replaced has 7 recorded leaks over the last 10 connections to be replaced has 7 recorded leaks over the last 10 connections to be replaced has 7 recorded leaks over the last 10 connections to be replaced has 7 recorded leaks over the last 10 connections to be replaced has 7 recorded leaks over the last 10 connections to be replaced the 3 recorded leaks over the last 10 connections to be replaced the 3 recorded leaks over the last 10 connections to be replaced the 3 recorded leaks over the last 10 connections to be replaced the 3 recorded leaks over the last 10 connections to be a replaced to a recorded leaks over the last 10 connections to be a replaced to a recorded leaks over the last 10 connections to be a replaced to a recorded leaks 10 connections to the second to the last 10 connections to the	
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2013	-							2014			2014	
Hidaigo St.					5			Enciald Dr.			Broadway Ave.	
11-004	11-004	11-004	11-004	11.004	11-004	11-004	11-004	17-00-11	11-004	11.004	H00-11	
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# SUPERSTITION/APACHE JUNCTION TABLE I (Page 2 of 6) cont. Information to be included with SIB-Eligible Project Notification

			**************************************			-	-			listen approximately 1,400 LF of 6-finen III replacement pupe
33	. A	1,400	vo	ā	89.48	11-004	Boise St.	2014	\$125,272	with polyvieth, replace 14 service connections and replace to the helder along Bothe Street and 100° Free. This project will their service approximately 1100° LF or 2 shert pvC weller than their all 1996, asking Bothe Street and approximately 300° LF or 2 shert pvC weller than the first and approximately 300° LF or 2 shert pvC weller trial their trial their trial their trial than their service connections to be replaced have 7 recorded leaks over the last 8 years. This replacement project is not being constructed to serve new customers. Project further described and documented to Exhibit FKS-13.
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### SUPERSTITION/APACHE JUNCTION

TABLE I (Page 3 of 6) Information to be included with SIB-Eligible Project Notification

replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility  - replacement of existing plant to address excessive water loss (19% or more)	persuasive showing by utility 2. Provide narrative explaining why this segment of plant is a priority.	3. Provide narrative explaining how replacing this plant will benefit existing customers.	4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.	Replace 126 sayrice comiections and replace 126 meters in	Peralta Estates Unit Two. The existing water mains unvercedured service line leaks over the last 10 years. This recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit EKS-13.	with polywrap, replace 88 service connections and replace 88 with polywrap, replace 88 service connections and replace will meters between Boise Street and Avalon Street. This project will	replace approximately 800 LF of 4-inch CA water main installed in 1970 in an alley between 113th Way and 114th Street. The existing water main and service connections to be replaced have existing water main and service connections to be replaced have existing water main and service connections to be replaced have	2.1 recorded tents over any assistances. Project project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	polymen, replace 102 service connections, replace 102 meters and replace 1 fire hydraul between 114° Street and Moridian	Road. The existing water mains and service consecutors to replaced have 22 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new replacement project is not being constructed.	customers. Project further described and occumented an Extensive FKS-13.	Refiner of strying connecting and strying water mains have 22 Delaware and Lawther Dirtes. The existing water mains have 22 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new	customers. Project further described and documented in Exhibit FKS-13.
אור ב ופחור	(ostimated)				\$513,747		5418,030			\$364,204		105,8653	
Kepiacenent rian	Expected In-Service Date				2014		2015	i.		2014		2014	
Site (location description)					Peraita Estates Unit 2		Boise St.			114 <sup>st</sup> St.		Delaware Dr.	
PWSID No.					11-004		11-064			11-004		9071	
	CosvUnit				4,077.36		4,750.34			3,570.63		1000	2,902.5
E plant)	Material			-	Copper		Copper			Copper			
Replacement Plant Description (SIB-cligible plant)	Diameter	<u>.</u>		There's	1-inch		I-inch			1-inch			-1909
<b>«</b>	Quantity				126		ec ec			107			<b>5</b>
NARUC Acci No. (SIB- eligible plant)	345 Services				345		345			345			345
	Project No.				_		74			•			◆.

### SUPERSTITION/APACHE JUNCTION TABLE I (Page 3 of 6) cont. Information to be included with SIB-Eligible Project Notification

Replace 25 service contrections and replace 25 meters along	tressewood Differ and Isolatorio Court.  main has 20 recorded service line leaks over the last 10 years.  This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit PKS-13.	Install approximately 4, the Lr of evapor to proceed a vith polywrap, replace 32 service conjections and replace 32 with polywrap, replace 32 service conjections and replace 32 meters along Hidalge Street and Coucho Street. This project will meter teplace approximately 2,950 LF of 1.5-inch and 2-inch GS water main installed in 1959 and 1960 along Hidalge Street and will water main installed in 1960 along Concho Street. These existing water main installed in 1960 along Concho Street. These existing water main installed in 1960 along Concho Street. These existing	recorded leaks over the last 8 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.  Replace 47 service convections and replace 47 meters along Replace 47 pervice convections and replace 50 Prive. The	Sugar Cock Direct in the Sugar Cock of the existing water mains have 19 recorded setricite line tenks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	Pinyon Drive and Vitginia, Scenic, Cactus Wren, and Oregory Streets. The existing water mains have 18 recorded service line Streets. The existing water mains have 18 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit PKS-13.	Replace The cateful water main has 17 recorded graine Unit Two. The existing water main has 17 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further is not being constructed to serve new customers. Project further leaving and described and documented in Exhibit FKS-13.	Copper, Gold and Silver Drives. The existing water mains there is recorded service line teaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Ethibit EKS-13.	Regime 2. Street and Lazy Late. The existing water mains Steepy Hollow Trail and Lazy Late. The existing water mains have 15 recorded service line leaks over the last 7 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
	\$100,008	\$143,978		195,7812	\$408,725	\$179,360	\$499,443	\$100,927
	2014	2013	٠.	2014	2015	2015	2015	2015
	Greasewood Dr.	Hidalgo St.		Sugar Creek Dr.	Piayon Dr.	Peralta Estates	Capper Dt.	Sleepy Hollow
	11-004	11-004		11:004	11-004	11-064	11-004	11-004
	4,000.32	4,499.32		3,987.04	4,041.83	4,076.36	4,127.63	4,037.08
	Copper	Copper	100	Copper	Copper	Copper	Copper	Copper
	I-inch	1-inch		1-inch	I-inch	1-inch	l-iach	1-inch
	ສ	T.		<b>.</b>	101	44	121	25
	345	345		345	345	348	345	345
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### SUPERSTITION/APACHE JUNCTION TABLE I (Page 3 of 6) cont. Information to be included with SIB-Eligible Project Notification

Reblice 21 service connections and replace 21 meters along	Hideaway Lane, Lazy Lane, and Breathless Drive. The existing water mains have 14 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	Mountain Road, Einson Drive and Malcohii Drive. The existing water mains have 11 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve hew enstoners. Project further described and documented in Exhibit FKS-13.	polymer, replace 8 service connections and replace 8 meters along South Emerald Diive. This project will replace approximately 500 LF of 2-inch ST water main installed in 1935 along South Emerald Drive. The existing water mains and service connections to be replaced has 10 recorded leaks over the tast 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	Repince 30 Service The Residues Drive and Turn Turn Court. The Rietpy Hollow Trail Breathless Drive and Turn Turn Court. The existing Wher mains have 10 tecended service line leaks over the bast 7 years. This replactment in project is not being constructed to being cristinness. Phyless fluither described and documented in Exhibit FXS-13.	Refrige 14 service connections and replace 14 months of the cristing water main has 7 recorded service line leaks over the less 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	polywrap, replace 3 service connections, replace 3 meters, and replace I fire hydrant along Broadway Avetue from Tomahawk Road to Vista Road. This project will replace approximately 600 LF of 6-loch CA water main installed in 1960 and 1984 along Broadway Avenue. The existing water mains and service connections to be replaced has 7 recorded leaks over the last 10 years. This replacement project is not being constructed to serve ever customers. Project further described and documented in Exhibit FKS-13.
	\$82,868	\$190,068	833,173	\$118,907	111,988	\$13,475
-	2015	2015	2014	2014	2015	2014
	Hideaway. Lane	Mountain Rd.	Encrald Dr.	Steepy Hollow Trait, Breathless Dr	Hamaningbird Lane	Broadway Ave.
	11-004	11-004	11-004	11-004	11-004	11-004
	3,946,08	3,959.74	4,146.89	3,963.58	4,055.48	4,491.60
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	21	<b>4</b>	•	30	4	en en
	345	345	345	345	345	345
-	81	. 25	27	788	31	32

# SUPERSTITION/APACHE JUNCTION TABLE I (Page 3 of 6) cont. Information to be included with SIB-Eligible Project Notification

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netall approximately 1,400 LF of 6-Inch Di replacement pipe	with polywrap, replace 13 service connections and replace will meters along Boise Street and 105° place. This project will replace approximately 1,100 LF of 2-inch PVC water main replace approximately 300 LF of installed in 1966 along Boise Street and approximately 300 LF of installed in 1966 along Boise Street and approximately 300 LF of installed in 1966 along 105° Place. The 2-inch PVC water mains and service connections to be replaced have existing water mains and service connections to be replaced have not being constructed to serve new customers. Project further not being constructed to serve new customers. Project further described and documented in Echibit FKS-13.	Replace 1. Strike and Alhambra Way. The existing water Humaningbird Archite and Alhambra Way. The existing water main has 6 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit (FKS-13).				Section 1. Company of the second section 1. Company of the section 1. Company of													
	380,135	T11,958														1		39,958,52	
	2014	2014						1		-		-			-		-		
	Baise St.	Albambra Way													44711		-	1	
	11-004	<del>11-004</del>					1		1		1	1	1		1	1	-	1	-
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INIOTHEACTOR OF	Copper	Copper		منند							<u> </u>								
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	2	14															-		mate)
	345	345															-	-	Subtotal Cost (estimate)
	33	35																	Subtotal

# SUPERSTITION/APACHE JUNCTION TABLE I (Page 4 of 6) Information to be included with SIB-Eligible Project Notification

1. Provide Advisitive way Replacement Plant is necessary  replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility  replacement of existing plant to address excessive water loss (10% or noore)	replacement of existing plant for other reacts supported by persuastive showing by utility.  2. Provide marative explaining why this segment of plant is a priority.  3. Provide narrative explaining how replacing this plant will benefit existing customers.	4, Provide allimenton that represents train to the customers.  costs for extending or expanding facilities to serve new customers.  Replies 126 metris in Peralta Estates Unit Two. In 2014 the existing metris are no longer NSF approved due to the new lead free bress requirements. Once a metri is removed from service, a	new NSF approved meter must be installed in its prace for compilance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.  Replace 88 inclus between Boise Street and Avalon Street. In Replace 88 inclus between Boise Street and Avalon Street. In	2014 the existing meters are to longer NNF approved the to the lead free brass requirements. Once a meter is removed from new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved uneter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FES-13.	the existing nesters are no longer NSF approved due to the new the direct brass requirements. Once a meter is rethroved from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
nt Plænt	Gestimated)		\$10,080	\$7,040	88,160	\$6,960
Replacement Plant	Expected In Service Date		2014	2015	2014	2014
Site (location description)			Peralia Estates Unit 2	Boise St.	114 <sup>b</sup> St.	Delaware Dr.
PWSID No.		:	11-004	11-004	11-004	11-004
iption	Cost/Unit		80.00	80.00	80.00	80.00
Repiscement Plant Destription (SiB-eligible plant)	Quantity		126	<b>:</b>	701	<b>.</b> 8
Replac	1275		5/8-inch	5/8-inch	5/8-inch	5/8-inch
NARUC Acet No. (SIB- eligible plant)	346 Meters		346	346	346	346
	Project No.		-	2	M	4

# SUPERSTITION/APACHE JUNCTION TABLE I (Page 4 of 6) cont. Information to be included with SIB-Eligible Project Notification

Replace 25 meters along Greasewood Drive and Escondido Court.	In 2014 the existing meters are no longer NSF approved due to the new tead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	Replace 3.2 meters mong ringing one of their useful life. This existing meters have reached the end of their useful life. This replacement project is not being constructed to serve new custoties.  Outstanding A7 meters along Sugar Creek Dilve, Pleasant Place and	Breathers Drive. In 2014 the existing meters are no longer NSF Breathers Drive. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a netter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	Replace 101 metals and Gregory Streets. In 2014 the existing meters are Cactas Wreh, and Gregory Streets. In 2014 the existing meters are no longer NSF approved due to the new lead free brass no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF requirements. Once a meter is removed from service. This approved meter must be installed in its place for compliance. This approved meter must be installed in its place for compliance. This customers. Project further described and documented in Exhibit 185-13.	Replace 44 meters in Peralta Estates out 1 wo. In 2017 on existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place from contribute. This replacement project is not being constituted to serve new outstoners. Project further described and documented in Bathbit FKS-13.	Representations of the existing ineters are no foriger NSF approved due to the new lead free brass requirements. Once a meter is removed from ervice, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit EKS-13.  Realbac 23 ineters along Steepy Hollow Trail and Lazy Lane. In	12014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compilance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
	\$2,000	\$2,560	83,760	080*8\$	\$3,520	\$9,680	82,000
	2014	2013	2014	2015	2015	2015	. 2015
	Greasewood Dr.	Hidalgo St.	Sugar Creek Dr.	Pinyon Dr:	Peralta Estates	Coppet Dr.	Sleepy Hollow
	11-004	11-004	11-004	11-004	11-004	11-004	11-004
	80.00	80.00	80.00	80.00	80.00	00.08	80.00
	22	32	47	101	#	121	23
1	5/8-inch	5/8-inch	5/8-inch	5/8-inch	5/8-inch	5/8-inch	5/8-inch
	346	346	346	346	346	346	346
	•	٥	01	=	12	2	11

## SUPERSTITION/APACHE JUNCTION TABLE I (Page 4 of 6) cont. Information to be included with SIB-Eligible Project Notlification

Replace 21 meters ulong Hideaway Lane, Lazy Lane, and Hrenniess Dave. In 2014 the existing uncters are no longer NSF approved due to the new lead free bress requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	Replace 48 meters along would have, therefore AS Malecolm Drive. In 2014 the catisting meters are no longer NSF approved due to the new lead fire brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new estatomers. Project further not being constructed to serve new estatomers. Project further described and documented in Extilitie FKS-13.	replace to maters and South Management of the new lead thee butss meters are as longer NSF exproved from service, a new NSF requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	Recorders 39 medical along Speep 1 popply that are no longer and Turn Turn Court. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is installed in the place for compliance. This replacement project is inchesional end documented in Editor FKS-13.	Replace it is the property of the property of the new lead free brass in the part of the property of the prope	Replace 3 literas and the existing metras are no longer (NSF approved due to the new lead fine brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compilance. This replacement project is not being constructed to serve new customers. Project further described and documerined in Exhibit FKS-13.	Replace 13 meters along 409s Street and 142 Trace. In 2014 use existing meters are no longer NSF approved due to the new lead free biess requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers, Project furtier described and documented in Exhibit FKS-13.
Replace 21 incters in incernities Dave. In 2th approved due to the no meter is removed from so installed in its place for not being constructed i described and document	Replace 46 meters along anounced Nove, Mediculm Drive, in 2014 the existing meters approved due to the new lead free brass requested due to the new lead free brass represented in its place for compliance. This reprove being constructed to serve new custome not being constructed to serve new custome described and documented in Extility FKS-13.	requirements of the requirements of the requirements of the approved meter must be replacement project in customers. Project for FKS-13.	Replace 39 meets and and Turn Turn Court.  NSF approved the to the meets is removed from installed in its place from not being constructed described and described and described to the total constructed.	repared to the control of the contro	to the construction of the existing meters approved due to the new lead free brass recompanies is cranoved from service, a new NSF apprinted in its place for compliance. This renot being constructed to serve new custom described and documented in Exhibit FKS-13.	Replace 13 motors alor existing meters are no existing meters are no exempliance. This replace new customers, Exhibit FKS-13.
\$1,680	\$3,840	\$640	\$2,400	\$1,120	\$240	\$1,040
2015	2015	2014	2014	2015	2014	2014
Hidesway	Mountain Rd.	Emerald Dr.	Sleepy Hollow Trail, Breathless Dr	Hummingbird Lane	Broadway Ave.	Boise St.
1-004	11-004	11-004	11-004	11-004	11-004	11-004
80.00	80.00	80.00	80.00	80.00	80.00	80.00
21	<b>8</b> 4	90	30	41		13
5/8-inch	5/8-inch	5/8-inch	5/8-inch	5/8-inch	5/8-inch	5/8-inch
346	346	346	346	346	346	346
=	25	ıa	788	31	32	33

Notification Notification Hummingbird Avenue and Albambia Replace 14 noters along meters are no longer NSF approved due Replace 14 noters along meters are no longer is removed	way. In A.y. In the trass requirement of the instance to the new lead free brass requirement project is not being from service, new NSF approved mether project is not being place for compliance. This replacement project further described and constructed to serve new enstoners. Project further described and documented in Exhibit PKS-13.		8.5.5.2	
SUPERSTITION/APACHE JUNCTION TABLE I (Page 4 of 6) cont. TABLE I (Page 4 of 6) cont. Replace		35 346 5/8-inch		Subtotal Cost (estimate)

	DOCKET NO. W-01445A-12-0348
offication  1. Provide nariative why Replacement Plant is necessary  1. Provide nariative why Replacement Plant is necessary  1. Provide nariative why Replacement of plant of the utility  1. Provide nariative existing plant condition due to no fault of the utility  1. Provide nariative explaining why this segment of plant is a priority  2. Provide nariative explaining why this segment of plant will benefit existing  3. Provide nariative explaining how replacing this plant will benefit existing  3. Provide nariative explaining how replacing this plant  4. Provide administration that Replacement Plant does not include the costs for existing a provide administration that Replacement Plant does not include the costs for existential gradities to stave new customers.	\$0 SO
ACHE JUNCTION  sge 5 of 6) SiB-Eligible Project No SiB-Eligible Project No Stepharement Plant Replacement Plant Replacement Plant Replacement Plant Replacement Plant Replacement Plant	0,000
SUPERSTITION/APACHE JUNCTION  TABLE I (Page 5 of 6)  Tephoria in the project Notification on Site (Replacement Plant I provide an one of or splacement No. Apprised in tephorial castinated)  Service Date (castinated) 3. Provide service Date (castinated) 3. Provide service Date (castinated) 3. Provide castinated)	11-004 11-004 11-004 11-004 11-004 11-004 11-004 11-004
SUPER Laformation to be hipion No. No.	2,886.70
Inf Replicement Plant Description Replicement Plant Description (SIB-eligible plant) Costulin	80 K K K K K K K K K K K K K K K K K K K
NARUC Acel No. (SIB-eligible plant)	9 2 Z Z Z

SUPERSTITION/APACHE JUNCTION TABLE I (Page 5 of 6) cont. In to be included with SIB-Eligible Project Notification

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DOCKET NO. W-01445A-12-0348

SUPERSTITION/APACHE JUNCTION
TABLE I (Page 6 of 6, Summary)
Information to be included with SIB-Eligible Project Notification

estimated)	\$523,827	\$544,964	\$432,978	\$346,461	\$102,008	\$563,475	\$191,151	\$416,305	\$182,880	\$509,123	\$102,927	\$84,548	\$193,908	\$18,640	\$121,307		
Cost (estimated)			E CONNECTIONS BETWEEN BUISE ST. ST. MERIDIAN ROAD			GREASEWOOD DRIVE AND ESCONDIDO COURT	P AND REPLACE 32 SERVICE CONNECTIONS ALONG HIDALOG STREET		Jun 197		12 11-004 REPLACE 44 SERVICE CONNECTIONS IN LEGION SILVER DRIVES  12 11-004 REPLACE 44 SERVICE CONNECTIONS ALONG COPPER, GOLD AND SILVER DRIVES	ANE	THLESS DRIVE	18 11-004 REPLACE 21 SERVICE CONNECTIONS ALONG MOUNTAIN ROAD, ELMONT DRIVE AND MALCOLM DRIVE	25 11-004 REPLACE 48 SEKYILE CONTROLLAGE 8 SERVICE CONNECTIONS ALONG SOUTH EMERALL DAY	27 11-004 INSTALL 500 LF OF PERCENCION ALONG SLEEPY HOLLOW TRAIL, BREATHLESS DRIVE AND TUM TUM COURT	28 11-004 REPLACE 30 SERVICE CONTROL SERVICE C

		DUCKET NO. " O
\$57,897	\$57,897	34,754,092
TOMAHAWK ROAD TO	PLACE	
ification	BOISE STREET AND 105 <sup>71</sup>	
STITION/APACHE JUNCTION E I (Page 6 of 6, Summary) cont. included with SIB-Eligible Project Notification included with SIB-Eligible Project Notification	CONNECTIONS ALONGICE CONNECTIO	
SUPERSTITION/APACHE JUNCTION TABLE I (Page 6 of 6, Summary) cont. on to be included with SIB-Eligible Project. HUMMINGBIRD LANE	REPLACE 14 SERVICE CONNECTIONS ALONG REPLACE 3 SERVICE CONNECTIONS ALONG BOISE STREET AND 105" PLACE INSTAIL 600 LF OF 6-INCH DIP WPOLYWRAP AND REPLACE 13 SERVICE CONNECTIONS ALONG BOISE STREET AND 105" PLACE INSTAIL 1,400 LF OF 6-INCH DIP WPOLYWRAP AND REPLACE 13 SERVICE CONNECTIONS ALONG HUMMINGBIRD LANE AND ALHAMBRA WAY REPLACE 14 SERVICE CONNECTIONS ALONG HUMMINGBIRD LANE AND ALHAMBRA WAY	
SUPERSTITION/A TABLE I (Page 6 Information to be included with	ICE CONNECTIONS ALOR	
		Total Cost (estimate)
	31 11-004 32 11-004 33 11-004 35 11-004	Total C

SUPERSTITION/SUPERIOR TABLE I (Page 1 of 6) Information to be included with SIB-Eligible Project Notification

	NARUC Acet No. (SIB- eligible plant)	E	Replacement Plant Description (SIB-eligible plant)	n Description te plant)		PWSID No.	Site (location description)	Replacement Frank	_	replacement of existing plant that has extended to useful life and has worn out or is in deteriorating condition due to useful life and has worn out or is in deteriorating condition due to no fault of the utility  replacement of existing plant to address excessive water loss (10% or more)  replacement of existing plant for other reasons supported by replacement of existing plant for other reasons supported by	
Project No.	-	Pipe length	Diameter	Material	Cost/Unit			in-Service Date	(extinated)	personal personal plant is a provide narrative explaining why this segment of plant is a priority.	
				·						3. Provide affirmation that Replacement Plant does not include the A provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.	
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	\$234,870							iste)	Subtotal Cost (estimate)	Subtotal
								•		
					+					r
on Stansberry Avenue. The existing water mains to be represent have 6 recorded leaks over the past 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.							c	1,50	343	36
project will replace approximately one for the formal main installed in 1939 in the alley west of Garrot Avenue and approximately 600 LF of 6-inch CA water main installed in 1930	<b>\$</b> 122,725	2015	Garrot	11-021	98.	2	`			
with polywrap, replace 31 service compactions, and replace 31 with polywrap, replace 31 service compactions, and replace 31 meters along Garrot Avenue and Stansberry Avenue. This meters along Garrot Avenue and Stansberry Avenue.										
Tastall anymy mately 1.250 LF of 6-inch DI replacement pipe	<b>S</b> 0			11-021					NA A	2
past 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.										
approximately 930 LF of a limit of the conditions of 2 inch CA along Stone Avenue and approximately 400 LF of 2 inch CA along Stone Avenue and approximately 400 LF of 2 inch CA water main installed in 1942 along Kiser Street. The existing water mains to be replaced have 14 recorded leaks and over the water mains to be replaced have 14 recorded leaks and over the	\$112,145	2013	Stone Avenue	11-021	83.07	DI	6	1,350	ž	19
with polywrap, replace 25 service connections, replace 25 meters, and replace 35 fire hydrants along Stone Avenue from Kiser Street to Mofatt Street. This project will replace to the fire of the fire that the fire of the f										
customers.  Install approximately 1,350 LF of 6-inch DI seplacement pipe										
4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new	-				٠.					
3. Provide narrative explaining how replacing this plant will benefit existing customers.								• .		
2. Provide narrative explaining why this segment of plant is a priority.		Date		•				· · · · · · · · · · · · · · · · · · ·	) de l' Maius	
replacement of existing plan for ourse reasons supposes by utility	Cost (estimated)	Expected In-Service			Cost/Unit	Material	Diameter	Pipe length	343	Project No.
replacement of existing plant to address excessive water loss (10% or more)	,								cligible plant)	
replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Scharcence	(location description)	PWSID No.		Description plant)	Replacement Plant Description (SIB-eligible plant)	×	NARUC Acct No.	
Provide parative why Replacement Plant is necessary	and Diame	Danlocam					•			

## SUPERSTITION/SUPERIOR TABLE I (Page 3 of 6) Information to be included with SIB-Eligible Project Notification

	3300,540							ate)	Subtotal Cost (estimate)	Subtotal (
have 6 recorded leaks over the past 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.										
with polywrap, replace 31 service connections, and replace meters along Garrot Avenue and Stansberry Avenue. This project will replace approximately 650 LF of 2-inch CA water main installed in 1939 in the alley west of Garrot Avenue and approximately 600 LF of 6-inch CA water main installed in 1930 on Stansberry Avenue. The existing water mains to be replaced on Stansberry Avenue.	\$153,710	2015	Garrot Avenue	11-021	4,958.40	Copper	1-inch	2	345	<b>36</b>
Avenue to Ternance Drive. The channing water recorded service line leaks over the past 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.  Install approximately 1,250 LF of 6-inch DI replacement pipe install approximately 1,250 LF of 6-inch DI replacement pipe.	\$112,634	2014	Hill Street	11-021	4,022.64	Copper	1-inch	28	345	34
with polywary, replace 2 and replace 3 fire hydrants along Stone Avenue from Kissr Street and replace 3 fire hydrants along Stone Avenue from Kissr Street to Mosatt Street. This project will replace approximately 950 LF of 4-inch CI water main installed in 1937 along Stone Avenue and approximately 400 LF of 2-inch CA water main installed in 1942 along Kiser Street. The existing water mains to be replaced have 14 recorded leaks and over the past 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.  Replace 28 service connections along Hill Street from Church Replace 28 service connections along Hill Street from Church	\$99,904	2013	Stone Avenue	11-021	3,996.17	Copper	1-inch	25	3.	5
Install approximately 1,350 LF of 6-inch DI replacement pipe		-								
<ol> <li>Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.</li> </ol>				···			·			
3. Provide narrative explaining how replacing this plant will benefit existing customers.			·							
<ol><li>Provide narrative explaining why this segment of plant is a priority.</li></ol>		Cala							se Bus	
persussive showing by utility	Cost (estimated)	Expected In-Service		•	Cost/Unit	Material	Diameter	Quantity	345	Project No.
replacement of existing plant to address excessive water loss (10% or more)			·						cligible plant)	
<ul> <li>replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility</li> </ul>		•	(location description)	<b>N</b> 6		te plant)	Replacement rum pescapara (SIB-eligible plant)		Acci No.	
1. Provide narrative why Replacement Plant is necessary	ent Plant	Replacement Plant	Site	CIISWA		at Description	Tonamani Dio			

MANUCE    Replacement Plant   Description   PARTID   Classification   PARTID   PARTI										
NARIIC Replacement Plant Description (SIB- clightle plant)  Acert No. (SIB-clightle plant)  Signature plant Description (Signature)  Signature plant Description (Signature)  Acert No. (SIB-clightle plant)  Signature plant Description (Signature)  Acert No. (Signature)  Signature plant Description (Signature)  PWSID (Icocution (Constitute)  Expected Cost Date (estimated)  Date (acres Avenue 2013 \$2,240)  346 Signature 25 80.00 11-021 Stone Avenue 2013 \$2,240  346 Signature 26 \$2,240  347 Signature 2015 \$2,480		\$6,720						ate)	ost (estim	Subtotal C
NARUC Replacement Plant Description (SIB-digible plant)  Acet No. (SIB-digible plant)  Signal (Continue)  Signature Plant Description)  Acet No. (Continue)  Signature Plant Description)  Acet No. (Continue)  Acet No. (Acet No. (Continue)  Acet No. (Acet No. (Continue)  Acet										
NARUC Replacement Plant Description (SIB-digible plant)  NACH No. (SIB-digible plant)  Signature (Icontion)  Signature (Icontion)  Accription)  Accription)  Size Quantity  Contint  Alerer  Size Quantity  Contint  Accription)  Contint  Accription  Accription  Accription  Accription  Accription  Accription  Contint  In-Service  Contint  Continued)  Date  Continued)  Accription  Continued  Accription  Accription  Accription  Accription  Accription  Continued  Continued  Continued  Date  Continued  Continued  Avenue  2014  \$2,460  346  568-inch  31  80.00  11-021  Garrot Avenue  2015  \$2,480										
NARUC   Replacement Plant Description   Sile   Acci No. (Silb-cigible plant)   Cost   No. (description)   Cost   No. (description)   Cost   District   Expected   In-Survice   Cost   In-Survice   In-Survice   Cost   In-Survice   Cost   In-Survice   Cost   In-Survice   Cost   In-Survice   Cost   In-Survice   Cost   In-Survice   In-Survice   Cost   In-Survice   In-Survice   Cost   In-Survice   In-Survice   Cost   In-Survice   In-S						f .				
NARUC Replacement Plant Description (SIB-Act No. (SIB-digible plant))  Size Quantity Conflik Replacement Plant (Incustion description)  Afters: Size Quantity Conflik Replacement Plant (Contion description)  Afters: Size Quantity Conflik Replacement Plant (Continue)  Afters: Size Quantity Conflik Replacement Plant (Continue)  Bapested Continue Conflik Replacement Plant (Continue)  Date Conflik Replacement Plant (Continue)  Conflik Replacement Plant (Continue)  Date Continue Continue Continue (Continue)  Afters: Size Quantity Conflik Replacement Plant (Continue)  Date Continue Continue Continue (Continue)  Afters: Size Quantity Conflik Replacement Plant (Continue)  Date Continue Continue Continue (Continue)  Date Continue Continue (Continue)  Date Continue Continue (Continue)  Afters: Size Quantity Continue (Continue)  Date Continue (Contin										
NARUC Replacement Plant Description (SIB-Acri No. (SIB-digible plant))  Size Quantity Cost/Init Heters  Acri No. (SIB-digible plant)  Acri No. (SIB-digible plant)  Size Quantity Cost/Init Expected Cost In-Service (estimated)  Date  Cost In-Service (estimated)  Date  Size Size Quantity Cost/Init Expected Cost In-Service (estimated)  Date  Size Size Quantity Cost/Init Expected Cost In-Service (estimated)  Date  Size Size Quantity Cost/Init Size Size Size Size Size Size Size Size										
NARUC Replacement Plant Description Acer No.  (SIB-cligible plant)  Site Acer No.  (SIB-cligible plant)  PWSID (Iocation Adescription)  No.  (Iocation Adescription)  Position  Position  Replacement Plant  Cost In-Service  Cost In-Service (estimated)  Date  346  5/8-inch  28  80.00  11-021  Stone Avenue  2013  \$2,480  346  5/8-inch  31  80.00  11-021  Garrot Avenue  2015  \$2,480										
NARUC Replacement Plant Description (SIB-cligible plant)  Acct No. (SIB-cligible plant)  Size Quantity Cost/Init  Meterri  Size Quantity Cost/Init  Meterri  346  56-inch  25  80.00  11-021  Fill Street  2014  \$2,240	In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter has to be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.		2015	Garrot Avenue	11-021	80.00	31	5/8-inch	346	36
NARUC Replacement Plant Description Acct No. (SIB-eligible plant)  346 Size Quantity Cost/Unit Meterri  346 Size Quantity Cost/Unit Date  Cost In-Service (cstimated) Date  \$2013 \$2,000	Terrance Drive. In 2014 the existing meters are no longer NSF approved due to the new lead five brass requirements. Once a meter is removed from service, a new NSF approved meter has to be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.		2014	Hill Street	11-021	80.00	28	5/8-inch	346	¥
NARUC Acct No. (SIB-cligible plant)  (SIB-cligible plant)  Site (Sometion (SiB-cligible plant)  No. (location description)  Replacement Plant  No. (location description)  Expected Cost In-Service (estimated)  Date	Street. The existing meters have reached the end of their useful life. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.  Rendace 28 meters along Hill Street from Church Avenue to		2013	Stone Avenue	11-021	80.00	25	5/8-inch	346	19
NARUC Replacement Plant Description PWSID Site Replacement Plant Acct No. (SIB-cligible plant) No. (location description)  eligible plant)  346 Size Quantity Cost/Unit Expected In-Service (estimated)  Date	denefit existing customers.  4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.									
NARUC Replacement Plant Description PWSID Site Replacement Plant Acct No. (SIB-cligible plant) No. (location description)  eligible plant)  346 Size Quantity Cost/Unit Expected Cost Neters	<ol> <li>Provide narrative explaining why this segment of plant is a priority.</li> <li>Provide narrative explaining how replacing this plant will</li> </ol>									
Replacement Plant Description PWSID Site Replacement Plant (StB-eligible plant) No. (location description)	- replacement of existing plant for office reasons supported by persuasive showing by utility		Expected In-Service			Cast/Unit	Quantity	Size	346 Meters	Project No.
	Provide narrative why Replacement Plant is necessary     replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility     replacement of existing plant to address excessive water loss (10% or more)		Replacen	Site (location description)	PWSID No.	ription 1)	cement Plant Desc (SIB-eligible plan	Repla	NARUC Acct No (SIB- eligible plant)	

Information to be included with SIB-Eligible Project Notification	TABLE I (Page 4 of 6)	SUPERSTITION/SUPERIOR
	Information to be included with SIB-Eligible Project Notification	TABLE I (Page 4 of 6) Information to be included with SIB-Eligible Project Notification

	DOCKET NO. W-01445A-12-0348
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	Replacement Plant Description (SIB-eligible plant) Quantity Cost/U
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	SUPERSTITION/SUPERIOR TABLE I (Page 5 of 6) Replacement Pla Repl
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Total Cost (estimate)	PWSID Project No.
mate	Description LL 1,350 LF OF 6-INC LTT STREET ALL 1,250 LF OF 6" D
	Information to Information Inf
	SUPERSTITION/SUPERIOR  TABLE I (Page 6 of 6, Summary)  TABLE I
	SUPERSTITION/SUPERIOR TABLE I (Page 6 of 6, Summary) he included with SIB-Eligible Proje he included with SIB-Eligible Proje AND REPLACE 25 SERVICE CONNECTIONS A TO REPLACE 31 SERVICE CONNECTIONS A
	ect Notification  ALONG STONE AV  ALONG GARROT AV
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	Cost (estimated) \$272,528 \$114.874 \$278,915
\$616,317	TOTON NO.

SUPERSTITION/MIAM! TABLE I (Page I of 6) Information to be included with SIB-Eligible Project Notification

	NARUC Acet No.		Replacement Plant Description (SIB-cligible plant)	nt Description le plant)		No.	(location description)			representation of the second o
	cligible plant)							Camported	Cost	(10% or more) - replacement of existing plant for other reasons supported by
	•			Material	Cost/Unit			In Service	(estimated)	persuesive showing by utility
Project No.	309 Supply	Pipe length	Diameter					Date		<ol> <li>Provide natrative explaining why this segment of plant is a netority.</li> </ol>
										<ol> <li>Provide narrative explaining how replacing this plant will benefit existing customers.</li> </ol>
										<ol> <li>Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.</li> </ol>
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### SUPERSTITION/MIAMI TABLE I (Page 2 of 6) Information to be included with SIB-Eligible Project Notification

1. From the manage way represent the confidence of existing plant that has exceeded its designated useful life and has won out or is in deteriorating condition due to no fault of the utility.  - replacement of existing plant to address excessive water loss (10% or more)	<ul> <li>replacement of existing plant for other reasons supported by persuasive showing by utility</li> <li>2. Provide narrative explaining why this segment of plant is a priority.</li> </ul>	3. Provide narrative explaining how replacing this plant will benefit existing customets.  4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.		Annual Control of the	install approximately off of the connection and replace 1 meter polyway, replace 1 service connection and replace 1 meter along Ranch Road. This project will replace approximately 600 along Ranch Road. LP of 2-inch PVC water main installed in 1984 on Ranch Road. The existing water main and service connection to be replaced has 20 recorded leaks over the last 3 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13 replacement into	install approximately 1,000 LT on China.  with polywarp, replace 23 service connections, and replace 23 meters along Stedden Avenue east of Russell Avenue. This project will replace approximately 650 LF of 2-inch CA water main installed in 1949, approximately 200 LF of 1-inch GS water main installed in 1950, and approximately 200 LF of 3-inch CA water main installed in 1965. The existing water mains and service connections to be replaced have 17 recorded leaks over the last 6 years. This replacement project is not being constitucted to serve new customers. Project further described and documented in Exhibit FKS-13.	
era Plant	Cost (estimated)		S.	0\$	\$53,724	\$93,219	80
Replacement Plant	Expected In-Service Date	•		*	2014	2014	
Site (location description)		-			Ranch Rd	Russell Ave.	
PWSID No.			04-002	04-002	04-002	04-002	04-002
	Cost/Unit				89.54	88.78	
Description plant)	Material				Dī	70	
Replacement Plant Description (SIB-eligible plant)	Diameter				vo	<b>v</b> o	
R	Pipe length	e water week			009	1,050	
NARUC Acct No. (SIB- eligible	343 T&D Mains	•		ΨN .	343	343	٧
	Project No.	•		35	••	<u> </u>	15

nformation to be included with SIB-Eligible Project Notification	TABLE I (Page 2 of 6) cont.	SUPERSTITION/MIAMI
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In the property of the propert											
343 250 6 DI 90.57 04.002 Monroe St. 2013 \$22.643  343 550 6 DI 83.02 04.002 Central Ave. 2014 \$45.661  343 1,700 6 DI 89.08 04.002 Orphan St. 2014 \$151,436		8			04-002					N.	23
343 250 6 DI 90.57 04-002 Monroe St. 2013 \$22,643	with polywrap, replace 3 section commences, we with polywrap, replace 3 fire hydrants along Fredric Street and B This project will replace approximately 1,450 LF of water main installed in 1930 and 1936 on Fredric Street main installed in 1930 and 1949, respectively, and in 1940 installed in 1930 and 1949, respectively, and in 1940 Street. The existing water mains and service connect replacement project is not being constructed to scussomers. Project further described and documented FKS-13.	\$241,395	2015	Fredric St.	04-002	87.78	D	6	2,750	<b>3</b>	<b>8</b>
343 250 6 DI 90.57 04-002 Montroe St. 2013 \$22.643	with polyvenue, replace 33 service connections, and meters along Orphan Street and Kenzie Avenue. The will replace approximately 1,050 LF of 2-inch CA with replace approximately 1,050 LF of 2-inch CA with superoximately 650 LF of 1-inch and 2-inch GS was an approximately 650 LF of 1-inch and 2-inch GS was an activities and service connections to be replaced have 14 reconverted to serve new customers. Project is constructed to serve new customers. Project further and documented in Exhibit FKS-13.		2014	Orphan St.	04-002	89.08	זק	<b>o</b>	1,700	343	2
343 250 6 Dl 90.57 04-002 Monroe St. 2013 \$22,643	install approximately 334 for the initial deproximately 334 for ormed by replace 25 service connections, replace polywap, replace 25 service connections, replace preplace 1 fire hydrant along Central Avenue from Brato Monroe Street. This project will replace approxim LF of 6-inch ST water main installed in 1955 of Avenue. The existing water mains and service connected have 14 recorded leaks over the last 7 year replaced have 14 recorded leaks over the last 7 year replacement project is not being constructed to 8 customers. Project further described and documented FKS-13.		2014	Central Ave.	04-002	l .	ם		550	343	20
	polywrap, replace 6 service connections and replace balong Monroe Street from Miami Street to Marion SI project will replace approximately 400 LF of 2-inch P project will replace approximately 400 LF of 2-inch P main installed in 1976 and 2-inch GS water main it 1936 on Monroe Street. The existing water mains at connections to be replaced have 16 recorded leaks over years. This replacement project is not being constructed new customers. Project further described and document that the street of the str		2013	Monroe St.	04-002	90.57	ַם	æ	250	¥ <b>4</b>	16

## TABLE I (Page 2 of 6) cont. Information to be included with SIB-Eligible Project Notification SUPERSTITION/MIAMI

									,	
	\$918,406		•					ate)	Subtotal Cost (estimate)	Subtotal
				-				<del></del>		
				$\dagger$						
									1	
	·			1						
polywrap, replace 5 service connections and replace 5 mercus, cast of Loomis Avenue. This project will replace approximately 500 LF of 1-inch GS water main installed in 1935 east of Loomis Avenue. The existing water main and service connections to be replaced have 9 recorded teaks in the last 7 years. This replacement project is not being constructed to serve years. Project further described and documented in Exhibit FKS-13.	\$44,740	2015	Loomis Ave	04-002	90 92 48	מ	6	500	343	30
with polywrap and replace I fire hydrant along Washburn Ruser. This project will replace approximately 1,600 LF of 6-inch HDPE water main slong Washburn Road. The existing water main to be replaced has 9 recorded water main teaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	140,320	2013	Washborn Rd	04-002	87.70	ā	<b>o</b> v	1,600	343	29
polywrap, replace 17 service connections and replace 17 meters along Young Street, Second Avenue, Hill Street, and Third Avenue. This project will replace approximately 300 LF of 1-inch ST water main installed in 1975, approximately 350 LF of 1-inch PVC water main installed in 1979, and approximately 100 LF of 2-inch PVC water main installed in 1975. The existing water mains and service connections to be replaced have 11 recorded leaks over the last 3 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	\$72,024	2015	Young St.	04-002	90.03	DI	6	800	<b>3</b>	26
polywrap, replace it service connections, replace it incitat and install 2 fire hydrants along Story Street east of Russell Avenue. This project will replace approximately 600 LF of 2-inch GS water main installed in 1956. The existing water mains and service connections to be replaced have 12 recorded teaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	\$53,244	2014	Story St.	04-002	88.74	DI	<b>o</b> .	600	343	24
Install approximately 600 LF of 6-inch DI replacement pipo with							·			

## SUPERSTITION/MIAMI TABLE I (Page 3 of 6) Information to be included with SIB-Eligible Project Notification

<b></b>	50	7	u		Project No.	
345	345	345	345	•	345 Services	NARUC Acct No. (SiB- eligible plant)
23	-	22	10		Quantity	
1-inch	1-inch	1-inch	l-inch		Diameter	Replacement Plant Description (SIB-eligible plant)
Соррег	Copper	Copper	Соррег		Material	nt Description ble plant)
4,137.96	3,435.50	4,139.00	4,147.43		Cost/Unit	
04-002	04-002	04-002	04-002			PWSID No.
Russell Ave	Ranch Rd.	Chisolm Ave.	Globe Ave.			Site (location description)
2014	2014	2014	2014		Expected In-Service Date	Replacement Pl
\$95,173	\$3,436	\$91,058	\$41,474		Cost (estimated)	ent Plant
with polywrap, replace 23 service connections, and replace 23 meters along Snedden Avenue east of Russell Avenue. This meters along Snedden Avenue east of Russell Avenue. This project will replace approximately 500 LF of 2-inch CA water main installed in 1949, approximately 200 LF of 1-inch GS water main installed in 1950, and approximately 200 LF of 3-inch CA water main installed in 1965. The existing water mains and service connections to be replaced have 17 recorded leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	Install approximately out it of ormatic Displace in meter polywrap and replace I service connection, and replace I meter polywrap and replace I service connection, and replace I meter along Ranch Road. This project will replace approximately 600 LF of 2-inch PVC water main installed in 1984 on Ranch Road. The existing water main and service connection to be replaced has 20 recorded leaks over the last 3 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	Keplace 22 service Controlled Chisolm Avenue. The existing water mains have 20 recorded Chisolm Avenue. The existing water mains have 20 recorded service line leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	Replace 10 service connections and replace 10 meeters around Globe Avenue. The existing water mains have 22 recorded service line leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	3. Provide narrative explaining how replacing this plant will benefit existing customers.  4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.	- replacement of existing pain to other reasons supported by persuasive showing by utility  2. Provide narrative explaining why this segment of plant is a priority.	Provide narrative why Replacement Plant is necessary     replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility     replacement of existing plant to address excessive water loss     (10% or more)

# SUPERSTITION/MIAMI TABLE I (Page 3 of 6) cont. Information to be included with SIB-Eligible Project Notification

z	2	20	2	5.
345	345		345	345
53	<b>3</b>	25	6	<b>=</b>
1-inch	l-inch	1-inch	l-inch	1-inch
Copper	Copper	Copper	Copper	Copper
4,036.73	3,828.75	4,192.08	3,848.24	4,055.49
04-002	04-002	04-002	04-002	04-002
Fredric St.	Ophan St.	Contral Ave.	Monroe St.	McKimoy Ave.
2015	2014	2014	2013	2015
\$213,947	\$126,349	\$104,802	\$23,089	<b>\$7</b> 7,999
with polywrap, replace 53 service connections, replace 53 meters and replace 2 fire hydrants along Fredric Street and Bird Street. This project will replace approximately 1,450 LF of 2-inch GS water main installed in 1930 and 1936 on Fredric Street and approximately 1,300 LF of 2-inch GS and 4-inch CA water main installed in 1930 and 1949, respectively, and in 1949 on Bird Street. The existing water mains and service connections to be replaced have 13 recorded leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	with polywrap, replace 33 service connections and replace 33 meters along Orphan Street and Kenzie Avenue. This project will replace approximately 1,050 LF of 2-inch CA water main installed in 1949 on Orphan Avenue, and will replace approximately 650 LF of 1-inch and 2-inch GS water mains installed in 1932 on Kenzie Avenue. The existing water mains and service connections to be replaced have 14 recorded leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	install approximately 530 LF of orbital LF replacement properties and polywrap, replace 25 service connections, replace 25 meters and replace 1 fire hydraut along Central Avenue from Braley Street to Mouroe Street. This project will replace approximately 550 LF of 6-inch ST water main installed in 1955 on Central Avenue. The existing water mains and service connections to be replaced have 14 recorded lasks over the last 7 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	polywrap, replace 6 service connections and replace 6 meters along Monroe Street from Miami Street to Marion Street. This project will replace approximately 400 LF of 2-inch PVC water main installed in 1976 and 2-inch GS water main installed in 1976 and 2-inch GS water main installed in 1986 on Monroe Street. The existing water mains and service connections to be replaced have 16 recorded leaks over the last 7 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	Replace 18 service connections and replace 18 meters along McKinney Avenue from Braley Street to Hill Street. The existing water mains have 16 recorded service line leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit PKS-13.

DOCKET NO	O. W-01445A-12-	0348
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NA NA 17 345 17 Subtotal Cost (estimate)	=	5
e) 1-inch	1-inch	1-inch
Coppes	Coppet	SUPERSTITION/MIAMI TABLE I (Page 3 of 6) cont. TABLE I (Page 4 of 6) cont. TABLE I (Pa
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4 2	04-003	SUPERSTITION/MIAMI TABLE I (Page 3 of 6) cont. Included with SIB-Eligible Pi ancluded with Sib-Eligible Pi ancluded with Sib-Eligible Pi ancluded with Sib-Eligible Pi
	Story St.	TION/MIA age 3 of 6) age 3 of 6) th SIB-Eligil
Loomis Ave.	ř.	JAMI 6) cont. lgible Pro
2015	2014	roject Noti
	\$44,471	otification \$68.484
\$968.1 B. S.	- PHEST OF	Replace Glendalo Glendalo water mu years. The Exhibit Install I polywr polywr polywran along a soniaco
de pvC wat of 2-inch of 2-inch of 2-inch of 2-inch of 2-inch country to being conscribed and easily follows and of Loo 500 LF of Loo 500 LF of FKS-13.	ced have 11 ced have 12 ced have 12 cement pro- cement projection ances projection 13 13 13 13 14 15 15 16 17 17 18 18 18 18 18 18 18 18 18 18 18 18 18	eplace 17 service eplace 17 service eplace 17 service water mains have 1 water mains have 1 This replace years. This replace years Exhibit FKS-13. Exhibit FKS-13 eplywrap, replace polywrap, replace polywrap, replace along Siory Street along Siory Street epiace approximate entage experience.
pyC water and service and service and service to assuced to documented documented to have a replace 5 see project as project a. Project a. Project as the service and project as the service as the servi	gring recorded ject is not ect further d ect further d ect further d safety 800 U s	connections connections made a recorded a recorded further roject
inch PVC water main installed in 1971 water mains and service commections to be replaced have it recorded leaks over the last 3 years. This replacement project is now being constructed to serve now customers. Project further recorded leaks over the last 3 years. This replacement pipe with described and documented in Exhibit FKS-13.  The proximately 500 LF of 6 inch DI replacement pipe with described and documented in Exhibit FKS-13.  Install approximately 500 LF of 6 inch DI replace approximately polywrap, replace 5 service connections and replace approximately listed of Loomis Avenue. This project will replace approximately polywrap, replaced have grecorded leaks in the last 7 years. This splaced have grecorded leaks in the last 7 years. The placement project is not being constructed to serve new replacement project further described and documented in Exhibit FKS-13.  FKS-13.	in 1956. The existing the property of the constructed to serve new in 1956. The existing the property of the p	Replace 17 service connections and replace 17 meters along Ghendale Avenue from Braley Street to Hill Street. The existing Ghendale Avenue from Braley Street to Hill Street. The test of serve water matins have 13 recorded service line leaks over the last 7 water matins have 13 recorded service line leaks over the last water matins and project is not being constructed to serve water matins. Project further described and documented in years. This replacement pipe with new oustonness. Project further fexhibit FKS-13.  Listall approximately 600 LF of 5-inch DI replacement pipe with Listall approximately 600 LF of 7-inch GS water main installed along Story Street east of Russell Avenue. This project with along Story Street east of Russell Avenue. This project will be along Story Street east of Russell Avenue. This project will be along Story Street east of Russell Avenue. This project will be along Story Street east of Russell Avenue. This project will be along Story Street east of Russell Avenue.
ged in 1919. This replace customers. FKS-13. F	sinucted to sinucted to sinucted to sinucted to old documente docu	oe 17 meter Spreet. The Spreet. The leaks over the construction and document replacement and replace and replace and replace and replace and replace the late. This partice connections are specific to the leak of the leak o
laced have ment project fur project fur project fur project fur project fur project against a service approximation connection.  Connection of the service of the service approximation of the service of	serve new din Exhibit din Exhibit din Exhibit din Exhibit din Exhibit din 17 meter de 17 meter din 18 meter d	is along existing he last 7 to serve to serve in pipe with 1 t metalled in installed in installed in installed rears. This
ther with with Exhibit	87743	

SUPERSTITION/MIAMI

TABLE I (Page 4 of 6)

Information to be included with SIB-Eligible Project Notification

service, a new NSF approved meter must be usualled in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Earth REG 17.	\$1,840	2014	Russell Ave.	04-002	80.00	23	5/8-inch	346	<b>5</b>
Replace 23 meters along suctore Avenue east or reason events. In 2014 the existing meters are no longer NSF approved due to the new lead fire brass requirements. Once a meter is removed from									
customers. Project further described and documented in Exhibit FKS-13.									
approved meter must be installed in its place for companion oney teplacement project is not being constructed to serve new	280	2014	Ranch Rd.	04-002	80.00		5/8-inch	346	<b>*</b>
requirements. Once a meter is removed from service, a new NSF	}				•			· .	
Replace I meter along Ranch Road. In 2014 the existing meters are no longer NSF approved due to the new lead free brass									
FKS-13.									
replacement project is not being constructed to serve new			Cilianini VAE	04-002	80.00	22	5/8-inch	346	7
approved meter must be installed in its place for compliance. This	\$1.760	2014	Chinales Ave	3	2				
meters are no longer NSF approved due to the new lead free brass			•				-		
Renlace 22 meters along Chisolin Avenue. In 2014 the existing									
customers. Project further described and documented in Exhibit					-		. •		
approved meter must be installed in its place on compilative. This replacement project is not being constructed to serve new	2800	2014	Globe Ave.	04-002	80.00	. 10	5/8-inch	346	<u>ب</u>
requirements. Once a meter is removed from service, a new NSF	3								
Replace 10 meters along Globe Avenue. In 2014 the existing meters are no longer NSF approved due to the new lead free brass									
COSTS ION GATERHALIS OF CENTRAL PRINCIPLES OF SECTION ACCORDING									
4. Provide affirmation that Replacement Plant does not include the									
benefit existing customers.									
3. Provide nerrative explaining how replacing this plant will					-				
c. Flowing manager explaining with this explain or plant is a priority.									
Describe acception ambiguity this esument of plant is a		Date						Meter	
<ul> <li>replacement of existing plant for other reasons supported by persuasive showing by utility</li> </ul>	Cost (estimated)	Expected In-Service			Cost/Unit	Quantity	Size	346	Project No.
- replacement of existing plain to acutes excessive water toss								plant)	
no fault of the utility								eligible	-
- replacement of existing plant that has exceeded its designaled useful life and has worn out or is in deteriorating condition due to			(location description)	N.	5	(SIB-cligible plant)		Acct No	
1. Provide narrative why Replacement Plant is necessary	Replacement Plant	Replacer	Site	CIISWP	cription	cement Plant Des	Reola	NARIO	

SUPERSTITION/MIAMI
TABLE I (Page 4 of 6) cont.
Information to be included with SIB-Eligible Project Notification

					:					
	Replace 11 meters along Story Street east of Russell Avenue. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compiliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	\$880	2014	Story St.	04-002	80.00	<b>=</b>	5/8-inch	346	24
	Replace 17 meters along Glendale Avenue from Braley Street to Hill Street. In 2014 the existing meters are no longer NSf approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	\$1,360	2015	Glendale Ave.	04-002	80.00	17	5/8-inch	346	<b>:</b>
	Replace 53 meters along Fredric Street and Bird Street. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	\$4,240	2015	Fredric St.	04-002	80.00	Si	5/8-inch	346	z
•	Replace 33 meters along Orphan Street and Kenzie Avenue. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	\$2,640	2014	Orphan St.	04-002	80.00	33	5/8-inch	346	21
	Replace 25 meters along Central Avenue from Braley Street to Morroe Street. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	\$2,000	2014	Central Ave.	04-002	80.00	25	5/8-inch	346	20
	Replace 6 meters along Monroe Street from Miami Street to Marion Street. The existing meters have reached the end of their useful life. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	\$480	2013	Monroe St.	04-002	80.00	66	5/8-inch	346	ಕ
	Replace 18 meters along McKinney Avenue from Braley Street to Hill Street. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a nucler is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	\$1,440	2015	McKinney Åve.	04-002	80.00		5/8-inch	346	<b>.</b>

formation to be included with SIB-Eligible Project Notification	TABLE I (Page 4 of 6) com.	SUPERSTITION/MIAMI

							(grace)	Subtotal Cost (estimate)	Subtotal
	\$19,280								
								+	
	1							+	
		1							
			+	-					
				+	1				
				+					
			1	+					
				-					
				+					,
				+					
				1					
				1					
		1							
				1					
requirements. Once a meter is removed from the supproved meter must be installed in its place for compliance. This approved meter must be installed in its place for compliance in this approved to serve new replacement project is not being constructed to serve new regularizers. Project further described and documented in Exhibit customers. Project further described and documented in Exhibit FKS-13.	\$400	2015	Loomis Ave.	04-002	80.00	Us	5/8-inch	346	30
Replace 5 meters east of Lourney due to the new lead free brass meters are no longer NSF approved from service a new NSF			-					NA.	79
FI comis Avenue. In 2014 the existing	93			04-002					
Street, and Third Avenue. In 2014 the country to construct the state of the new lead free brass requirements longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project purchase described and documented in Exhibit FKS-13.	\$1,360	2015	Young St.	04-002	80.00	17	5/8-inch	346	26
Replace 17 meters along Young Street, Second Avenue, Hill	Ject Notific	Eligible Pro	Information to be included with SIB-Eligible Project Notification	to be incl	Information				

SUPERSTITION/MIAM! TABLE I (Page 5 of 6) Information to be included with SIB-Eligible Project Notification

seplacement Plant is necessary	1. Provide finite and the last has exceeded its designation willify	worm out or is in deteriorating condition one to income (10% or more) replacement of existing plant to address excessive water loss (10% or more) replacement of existing plant for other reasons supported by persuasive showing				4. Provide affirmation that Replacement Train and extending or expending facilities to serve new customers.		80	05	05	08	08	_	Replace I fire hydrant along Central Avenue from brancy succession and Avenue. The	This project will replace a tite hydrani replacement. Replacement paus and This project will replace a tite hydrant is old and failing requiring replacement constructed to serve	\$2,2322 extrained by this hydrant. This replacement is not come Exhibit FKS-13.  new customets. Project further described and documented in Exhibit FKS-13.		replace fire hydrants installed in 1930s on from the replacement. Replacement parts replace fire hydrants are old and failing requiring replacement. Replacement to the failing requiring replacement is not being constructed to	\$4,642 are unavailable for these hydrants. Ints repracting and documented in Exhibit FKS-serve new customers. Project further described and documented in Exhibit FKS-13.	0\$	0\$	08	
	Replacement Plant			Expected in (estimated)	Service Date		+						-			2014			2015				
Information to be included with Sib-Eirs'	1	(location description)		EX.												Central Ave.			Fredric 3t.				
on to be		PWSID No.						04-002	100	200.40	-	04-002	04-002	04-002		04-002	04.002		04-002	1	04-002	04-002	04-007
Informati				1	CostOmic											2,321.78			2,321.12				i.
		Replacement Plant Description (SIB-cligible plant)			Quantity			+								-							
		NARUC Acet No.	(SIB-	plant)	348 Hydrants			1	VZ.	¥	Y.	4 Z		V.V	V.	348		ΥŅ.	348		ď Z	NA	Y.
		Z X			Project No.					-	~		13	15	91	98	}	717	77		23	24	36

SUPERSTITION/MIAMI TABLE I (Page 5 of 6) cont. Information to be included with SIB-Eligible Project Notification

							This project will replace a fire
29	¥ Z	-	2,517.50	04-002	Washbom Rd.	\$2,518	hydrant Washborn Road. The existing hydrant is old and failing requiring hydrant Washborn Road. The existing hydrant is old and failing requiring replacement. Replacement parts are unavailable for this hydrant. This replacement is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
5	4N			04-002		20	
25	Š.						
						.	
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				1			
				-			
				-		\$9,482	
Subtotal Cost (estimate)	1081 (12811111	lare)					

SUPERSTITION/MIAMI TABLE I (Page 6 of 6, Summary) Information to be included with SIB-Eligible Project Notification

	-		
			Charles I.
			Cost (estimated)
Project	DISWA	Project Description	\$42,274
S S	04-002	REPLACE 10 SERVICE CONNECTIONS ALONG GLOBE AVENUE	\$92,818
-	04-002	REPLACE 22 SERVICE CONNECTIONS ALONG CHISOLM AVENUE	\$57,240
	04-002	INSTALL 600 LF OF 6-INCH DIP WPOLLYWRAP ALONG RANCH ROAD AND REPLACE I SEKYLE CONNECTOR OF 6-INCH DIP WPOLLYWRAP ALONG RANCH ROAD AVENUE EAST OF RUSSELL AVENUE	\$190,232
2	04-002	INSTALL 1,050 LF OF 6-INCH DIP WPOLYWRAP AND REPLACE 23 SERVICE CONNECTIONS ALC:	\$74,439
13	04-002	REPLACE 18 SERVICE CONNECTIONS ALONG MCKINNEY AVENUE FROM BRALEY STREET STREET FROM MIAMI STREET TO	\$46,212
2	04-005	INSTALL 250 LF OF 6-INCH DIP WPOLYWRAP AND RETLACES SERVICE CONNECTIONS ALONG CENTRAL AVENUE PROM BRALEY STREET TO MARION STREEF	\$154,785
92	04-002	INSTALL 550 I.F OF 6-INCH DIP W/POLYWRAP AND REPLACE OF MONROE STREET AND KENZIE AVENUE	\$280,425
21	04-005	INSTALL 1,700 LF OF 6-INCH DIP WPOLYWRAP AND REPLACE 33 SERVICE CONNECTIONS ALONG FREDRIC STREET AND BIRD STREET	\$464,224
n	04-007	INSTALL 2,750 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 53 SERVICE CONNECTIONS IN STREET TO HILL STREET	\$69,844
23	04-007	-	\$98,595
24	04-005	-	\$138,506
76	04-005		\$142,838
29	04-002	-	\$63,017
8	04-002	INSTALL 500 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 5 SEKVILES EAST	
			\$1,915,449
Tota	Total Cost (estimate)	nate)	

## FALCON VALLEY/ORACLE TABLE I (Page 1 of 6)

ADLE I (Fage I of 0)	ided with SIB-Eligible Project Notification
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	NARUC Act No. (SIB- eligible		Replacement Plant Description (SIB-eligible plant)	ant Description ble plant)		PWSID No.	Site (location description)	Replacement Plant	cnt Plant	i. Provide narrative why Replacement Plant is necessity  replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility  replacement of existing plant to address excessive water loss  replacements.
Project	309	Pipe length	Diameter	Material	Cost/Unit			Expected In-Service	Cost (estimated)	transfer of existing plant for other reasons supported by persuasive showing by utility
ć	Supply	•			en a la la			Date		<ol> <li>Provide narrative explaining why this segment of plant is a priority.</li> </ol>
							•			3. Provide narrative explaining how replacing this plant will benefit existing customers.
										4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.
						11-019			20	
33	Y <sub>Z</sub>					11-019			80	
<b>8</b> 2	W :					11-019			0\$	
۶	¥Z					11-019			0\$	
₽ :	¥ .					11-019			<b>8</b>	
- S	\$ 5				.	11-019			8	
76	5									
							. *			
						-				
Subtota	Subtotal Cost (estimate)	imate)							3	

### FALCON VALLEY/ORACLE TABLE I (Page 3 of 6) Information to be included with SIB-Eligible Project Notification

1. Provide narrative why Replacement Plant is necessary - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility - replacement of existing plant to address excessive water loss (10% or more)	<ul> <li>replacement of existing plant for other reasons supported by persuasive showing by utility</li> <li>2. Provide narrative explaining why this segment of plant is a priority.</li> </ul>	Provide narrative explaining how replacing this plans will benefit existing customers.     Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve now customers.	Replace 61 service connections and replace 61 meters along Beverly Circle. The existing water mains have 36 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	Replace 35 service connections and replace 3. Souberg Drive, Harold Drive and Rockcliff Boulevard. The existing water mains have 21 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	Replace 19 service connections and replace 19 meters along Camino Seco and Calle Valencia. The existing water mains have 9 recorded service line leaks over the last 5 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	Adams Street, Howard Street and Logan Street. The existing water mains have 7 recorded service line leaks and 1 water main leak over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	Replace 24 service connections and replace 24 meters along North Two O'clock Hills Road and Chaparnal Street. The existing water mains have 8 recorded service line leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
ent Plant	Cost (estimated)		162,791	\$92,382	\$51,979	\$76,611	\$64,051
Replacement Plant	Expected In-Service Date		2013	2013	2014	2014	2015
Site (location description)			Beverly Circle	Souberg Drive	Camino Seco	Adams Street	Two O'Clock Hills Road
PWSID No.	•		11-019	11-019	610-11	11-019	610-11
	Cost/Unit		2,717.88	2,639.48	2,735.75	2,837,44	2,668.79
nt Description ole plant)	Material		Copper	Copper	Copper	Copper	Copper
Replacement Plant Description (SIB-eligible plant)	Diameter	,	l-inch	1-inch	I-inch	l-inch	1-inch
	Quantity		. 19	35	61	п	24
NARUC Act No. (SIB- cligible plant)	345 Services		345	345	345	345	345
	Project No.		37	38	39	40	14

FALCON VALLEY/ORACLE TABLE I (Page 3 of 6) cont. Information to be included with SIB-Eligible Project Notification

42 345 16 1-hach Cupper 2,709.84 11-019 Cadar Ridge 2015 843,537		,						b 14 service connections and replace 16 meters along
	345	1-inch	Copper	2,709.84	Cedar Ridge Drive	2015	\$43,357	North Cedar Ridge Drive. The existing water main has 6 recorded service line leaks over the last 6 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
					-			
					-			
					-			
			3.00					
	-							
					·			
Subtotal Cost (estimate)	ost (estimate)			-			\$494,171	

### FALCON VALLEY/ORACLE TABLE I (Page 4 of 6) Information to be included with SIB-Eligible Project Notification

	NARUC Act No. (SIB-	Repla	Replacement Plant Description (SIB-eligible plant)	ription ()	PWSID No.	Site (location description)	Replacement Plant	nt Plant	<ol> <li>Provide narrative why Replacement Plant is necessary</li> <li>replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to</li> </ol>
	eligible plant)	•							no fault of the utility - replacement of existing plant to address excessive water loss (10% or more)
Project No.	346 Meters	Size	Quantity	Cost/Unit		·:	Expected In-Service	Cost (estimated)	<ul> <li>replacement of existing plant for other reasons supported by persuasive showing by utility</li> </ul>
•							Date	•	2. Provide narrative explaining why this segment of plant is a priority.
						•			3. Provide narrative explaining how replacing this plant will benefit existing customers.
					-	•	-		<ol> <li>Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.</li> </ol>
37	346	5/8-inch	19	80.00	11-019	Beverly Circle	2013	\$4,880	Replace 61 meters along Beverly Circle. The existing meters have reached the end of their useful life. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
38	346	5/8-inch	35	80.00	11-019	Sonberg Drive	2013	\$2,800	
39	346	5/8-inch	61	80.00	610-11	Camino Seco	2014	\$1,520	Replace 19 meters along Camino Seco and Calle Valencia. In 2014 the existing meters are no longer NSF approved due to the new lead fine brass requirements. Once a meter is removed from service, a new NSF approved meter has to be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
40	346	5/8-inch	7.7	80.00	11-019	Adams Street	2014	\$2,160	Replace 27 meters along Adams Street, Howard Street and Logan Street. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter has to be installed in its place for compliance. This replacement project is not being constructed to serve new customers.
7	346	5/8-inch	24	80.00	11-019	Two O'Clock Hills Road	2015	\$1,920	Replace 24 meters along North Two O'clock Hills Road and Chaparral Street. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter has to be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.

FALCON VALLEY/ORACLE
TABLE I (Page 4 of 6) cont.
Information to be included with SIB-Eligible Project Notification

42 346	S/8-inch	2	80.00	11-019	Cedar Ridge Drive	2015	\$1,280	Replace 16 meters along North Cedar Kidge Drive. In 2014 the existing meters are no longer NSF approved due to the new lead free brass requirements. Once a meter is removed from service, a new NSF approved meter has to be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
			-					
		-						
						·		
						·		
Subtotal Cost (estimate)	inte)						\$14,560	

FALCON VALLEY/ORACLE TABLE I (Page 5 of 6) Information to be included with SIB-Eligible Project Notification

			ring	5		T			טע		151	NO.								
1. Provide narrative why Replacement Plant is necessary	replacement of existing by condition due to no tault of the company of more)	worn out of is it upon the state of the second supported by persussive showing teplacement of existing plant for other reasons supported by persussive showing to the reasons supported by persussive showing the state of existing plant for other reasons supported by persussive showing the state of existing plant for other reasons supported by persussive showing the state of the sta	2. Provide narrative explaining why this segment of plant is a provide narrative explaining how replacing this plant will benefit existing	<ol> <li>Provide manure are customers.</li> <li>Provide affirmation that Replacement Plant does not include the costs for a provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.</li> </ol>															05	
	# FE	3	Cost (estimated)		3	2 5	S	3	S	1	1		$\overline{}$	$\frac{1}{1}$	1	+	+	-	-	
Information to be included with SIB-Engious	Replacement Flain		Expected In- Service Date					1	1	<u> </u>	-	1					+	+		
luded with	Cite	(location)																1		
on to be inc		PWSID No. (16			01011	610-11	610-11	610-11	610-11	11-019			1	1	1	1			-	
Informativ			in br																	
		Replacement Plant Description (SIB-eligible plant)		Quantity															1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	
		NARUC Acci No.	(SIB- cligible plant)	348 Hydranis		NA	NA	NA	NA V	Y.	ž	-	-	-	-			+	+	
		Z		Project No.		37	38	39	40	4	43									

### FALCON VALLEY/ORACLE TABLE I (Page 6 of 6, Summary) Information to be included with SIB-Eligible Project Notification

PWSID No. Project Description		
REPLACE 61 SERVICE CONNECTIONS AND METERS ALONG BEVENCE CENTRY HAROLD DRIVE AND ROCKCLIFF BOULEVARD.	REPLACE 61 SERVICE CONNECTIONS AND METERS ALLONG BEVERLY	DRIVE HAROLD DRIVE AND ROCKCLIFF BOULEVARD.
11-019 REPLACE 35 SERVICE CONNECTIONS AND METERS ALLANG SURBERY	REPLACE 35 SERVICE CONNECTIONS AND METERS ALUNG SURBERY	COO AND CALLE VALENCIA.
11-019 REPLACE 19 SERVICE CONNECTIONS AND METERS ALONG CAMINO SECONDAD STREET AN	REPLACE 19 SERVICE CONNECTIONS AND METERS ALONG CAMINO SE	SECTION APPLY STREET AND LOGAN STREET.
11-019 REPLACE 27 SERVICE CONNECTIONS AND METERS ALONG ADAMS STREET, INC. 111 1 8 BOAD AND CHAPARRAL ST	REPLACE 27 SERVICE CONNECTIONS AND METERS ALONG ADAMS SH	METERS ALONG ADAMS STREET, 150 THE PROPERTY STREET.
11-019 REPLACE 24 SERVICE CONNECTIONS AND METERS ALONG NORTH 1 W	REPLACE 24 SERVICE CONNECTIONS AND METERS ALONG NORTH 1 W	
11-019 REPLACE 16 SERVICE CONNECTIONS AND METERS ALONG NORTH CEDAR RIDGE DRIVE.	REPLACE 16 SERVICE CONNECTIONS AND METERS ALONG NORTH CEI	JAR RIDGE DRIVE.
•	•	
Total Coat (estimate)	<b>3(c)</b>	

COCHISE/BISBEE TABLE I (Page 1 of 6) Information to be included with SIB-Eligible Project Notification

	NARUC Act No. (SIB- eligible plant)		Replacement Plant Description (SIB-cligible plant)	it Descripuon le plant)		£	(focation description)	·		replacement of existing plant that the condition due to useful life and has worn out or is in deteriorating condition due to no fault of the utility replacement of existing plant to address excessive water loss 10% or more) replacement of existing plant for other reasons supported by
Project No.	309 Supply Mains	Pipe length	Diameter	Material	Cost/Unit		•	Expected In-Service Date	(estimated)	persuasive showing by utility  2. Provide narrative explaining why this segment of plant is a priority.
	,									3. Provide narrative explaining how replacing this plant will benefit existing customers.
									•	4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customets.
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2	Y.					02-001			95	
44	NA					02-001			0\$	
45	ž		7			02-001			0\$	
46	AN								2	
47	¥ Z					02-201		-	S	
84	¥					05-001			88	•
49	NA A					05-001			S	
50	NA					05-001				
51	¥.					02-001			2 8	
52	Y.				·	05-001			36	
						_		1		
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Subtota	Subtotal Cost (estimate)	timate)							2	

COCHISE/BISBEE TABLE I (Page 2 of 6) Information to be included with SIB-Eligible Project Notification

1. Provide narrative why Replacement Plant is necessary  - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility  - replacement of existing plant to address excessive water loss (10% or more)	<ul> <li>replacement of existing plant for ours reasons supported by persuasive showing by utility</li> <li>Provide narrative explaining why this segment of plant is a priority.</li> </ul>	3. Provide narrative explaining how replacing this plant will benefit existing customers.  4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.	Install approximately 1,900 LF of 6-inch Di replacement pipe with polywrap, replace 22 service connections, replace 22 meters, and replace 1 fire hydrant along Bowers Street from Marie Street to McDonald Street. This project will replace approximately 1,250 LF of 4-inch SF water main installed in 1958 and approximately 150 LF of 1-inch GS water main installed in 1958 and approximately 150 LF of 1-inch GS water main installed in 1958 on Marie Street. The existing water main installed in 1958 on Marie Street. The existing water mains and service connections to be replaced have 80 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	nessil approximately for the connections, replace II meters, and polywarp, replace II service connections, replace II meters, and replace I fire hydrant along Ocoililo Street. This project will replace approximately 600 LF of I-inch GS water main installed in 1945, 1947, and 1950, approximately 250 LF of I-inch PVC water main installed in 1960, and approximately 150 LF of 4-inch ST water main installed in 1960, and approximately 100 LF of 2-inch CU water main installed in 2007 on Ocoililo Street. The existing water mains and service connections to be replaced have 35 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
ent Plant	Cost (estimated)		ะเรานาร	\$61,838
Replacement Plant	Expected In-Service Date		2012	2012
Site (location description)			Bowers Street	Ocotillo Avenue
PWSID No.			02-001	02-001
	Cost/Unit		90.27	88.34
Description plant)	Material		ថ	<u>a</u>
Replacement Plant Description (SIB-eligible plant)	Diameter		vo	Va
Rej	Pipe length		1,900	700
NARUC Acct No. (SIB- eligible plant)	343 T&D Mains		343	343
	Project No.		43	4

COCHISE/BISBEE
TABLE I (Page 2 of 6) cont.
Information to be included with SIB-Eligible Project Notification

Install approximately 2,450 LF of 6-inch DI replacement pipe	with polywrap, replace 41 service connections, and replace 41 meters along Lodge Avenue and Quality Road. This project will replace approximately 1,000 LF of 1-inch GS water main installed in 1937, 1939, 1958, and 1962; approximately 1,000 LF of 2-inch GS water main installed in 1932 and 1947; and approximately 200 LF of 3-inch GS water main installed in 1932 and 1947; and 1947. The existing water mains and service connections to be replaced have 35 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new existences. Project further described and documented in Exhibit Israel armoraimately 900 LF of 6-inch Di replacement pipe with	polywap, replace I service connection, and replace I meter along Highway 80 and Winwood Road. This project will replace approximately 900 LF of 1-inch PVC water main installed in 1980 on Winwood Road. The existing water mains and service connections to be replaced have 22 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit PKS-13.	instant approximately 1,000 Ltd.  with polywrap, replace 20 service connections, and replace 20 with polywrap, replace 20 service connections, and Alleys. This project will replace approximately 150 LF of 1-inch GS water project will replace approximately 150 LF of 1-inch GS water main installed in 1936, approximately 100 LF of 1-inch PVC water main installed in 1936, approximately 750 LF of 2-inch GS water main installed in 1939 and 1947; and approximately 350 LF of 3-inch GS water main installed in 1939 and 1952. The existing water mains and service connections to be replaced have 21 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	instant approximated 2.2 service councetions, and replace 22 meters along Teran Street, Antizu Street, Carbajal Street, and Vargas Street. This project will replace approximately 700 LF of 1-inch GS water main installed in 1938, approximately 800 LF of 2-inch GS water main installed in 1938, and approximately 1,300 LF of 6-inch ST water main installed in 1938, and 1908 and 1976. The existing water mains and service connections to be replaced have 20 recorded leaks over the last of 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
	\$226,307	\$82,881	\$151,767	\$265,814
	2014	2014	2014	2013
	Ledge Avenue	Highway 80	Ledge Avenue	Teran Street
-	02-001	02-001	02-001	03-001
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	2,450	006	1,630	2,900
·	343	343	343	343
	\$	94	4	*

## COCHISE/BISBEE TABLE I (Page 2 of 6) cont.

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	In

						.				here I seeme imately 700 LF of 6-inch DI replacement pipe with	
9.4	343	700	•	ā	88.73	02-001	. Park Avenue	2013	\$62,111	polywrap, replace 12 service connections, replace 12 meters, and replace 1 fire hydrant along Park Avenue. This project will replace approximately 650 LF of 2-inch GS water main installed in 1920 and 1967; approximately 300 LF of 4-inch GS water main installed in 1922; and approximately 250 LF of 6-inch ST water main installed in 1922 on 9econd Street. The existing water mains and service connections to be replaced have 16 recorded leaks over the fast 10 years. This replacement project recorded leaks over the fast 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	
20	343	009	9	ā	92.16	07-001	Brophy	707	\$55,296	polywrap, replace 11 service connections, and replace 11 increasalong Brophy Avenue. This project will replace rapproximately 400 LF of 1-inch GS water main installed in 1944 and approximately 200 LF of 2-inch CU water main installed in 1980 approximately 200 LF of 2-inch CU water main installed in 1980 connections to be replaced have 15 recorded leaks over the last (10 years. This replacement project is not being constructed to serve new extorners. Project further described and documented in Exhibit FKS-13.	
15	343	000*1	•	DI	86.18	02-001	Cole Avenue	2014	\$86,180		DOCKE
25	343	400	vo	ō	85.06	02-001	Church Street	2012	\$34,024		I NO. W-01443A-1.
											<b>2-</b> 03
											40
Subtotal Cost (estimate)	ost (estim	nate)							\$1,197,731		

COCHISE/BISBEE TABLE I (Page 3 of 6) Information to be included with SIB-Eligible Project Notification

1. Provide narrative why Replacement Plant is necessary replacement of existing plant that has exceeded its designated replacement of existing plant that has exceeded its designated	useful life and hes worn out or is in deteriorating continued for fault of the utility	replacement of existing plant to address excessive ways (10% or more)	replacement of existing pour to con-	2. Provide narrative explaining why this segment of plant is a priority.	<ol> <li>Provide narrative explaining how replacing this plant will benefit existing customers.</li> </ol>	4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.	instell approximately 1,900 LF of 6-inch DI replacement pipe	with polywrap, replace 22 service connections, replace 22 service connections. Rate Street and replace 1 fire hydrant along Bowers Street from Marie Street and replace approximately and replace approximately street.	1250 LF of 4-inch ST water main installed in 1958 and 1250 LF of 4-inch ST water main installed in 1961 approximately 150 LF of 2-inch GS water on Bowers Street, and approximately 500 LF of 2-inch GS water on Bowers Street, and 500 LF of 2-inch GS water on Bowers Street, and 500 LF of 2-inch GS water on Bowers Street, and 500 LF of 2-inch GS water on Bowers Street, and 500 LF of 2-inch GS water on Bowers Street, and 500 LF of 2-inch GS water on Bowers Street, and 500 LF of 2-inch GS water on Bowers Street, and 500 LF of 2-inch GS water on Bowers Street, and 500 LF of 2-inch GS water on Bowers Street, and 500 LF of 2-inch GS water on Bowers Street, and 500 LF of 2-inch GS water on Bowers Street, and 500 LF of 2-inch GS water on Bowers Street, and 500 LF of 2-inch GS water on Bowers Street, and 500 LF of 2-inch GS water on Bowers Street, and 500 LF of 2-inch	main installed in 1958 on Marie Surce. The cassing and service connections to be replaced have 80 recorded leaks and service connections to be replacement project is not being over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described	and documented in Exhibit FKS-13. Install approximately 700 LF of 6-inch DI replacement pipe with	polywrap, replace 11 service connections, replace 11 miles project will replace 1 fire hydrant along Occillo Street. This project will replace 1 fire hydrant along Occillo Street. This project will replace 1 fire hydrant along Occillo Street.	in 1945, 1947, and 1950, approximately 250 LJ of 1-mon 1945, in 1945, page 1950, approximately 150 LF of 4-inch ST water main installed in 1960, and approximately 100 LF of 2-inch water main installed in 1960, and approximately 100 LF of 2-inch	Cu water main installed in 2007 on Octoillo Street. Interessing Cut water mains and service connections to be replaced have 35 water mains and service connections to be replaced have 35	recorded leaks over the last 10 years. This repraction in a project further not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
rt Plant			Cost	(cetumaten)					\$56,225				\$29,413		
Replacement Plant			Expected	In-Scrvice Date					2012				2012		
Sile	(location description)	2 -		·					Bowers Street				Ocotillo	Avenue	
PWSID	O	·				•			700	100-70				05-001	
				Costronia		-				1555.67				2673.90	
Internation	plant)			Material	Marca sea			Copper				11 1-inch Copper			
	Replacement Plant Descriptors (SIB-eligible plant)			Diameter					22 I-inch						
	2			Quantity											
	NARUC Acet No.	(SIB- cligible	plant)	345 Services						345				345	
				Project No.						43				4	

## COCHISE/BISBEE TABLE I (Page 3 of 6) cont. Information to be included with SIB-Eligible Project Notification

		DOCKET IV	,
install approximately 2,450 LF of 6-inch DI replacement pipe with polywrap, replace 41 service connections, and replace 41 meters along Ledge Avenue and Quality Road. This project will replace approximately 1,050 LF of 1-inch GS water main installed in 1937, 1939, 1958, and 1962; approximately 100 LF of 2-inch GS water main installed in 2002; approximately 1,000 LF of 2-inch GS water main installed in 1932 and 1947; and approximately 200 LF of 3-inch GS water main installed in 1947. The existing water mains and service connections to be replaced have 35 recorded leaks over the last 10 years. This replacement project further described and documented in Exhibit FKS-13.	along Highway for all service connection, and replace I meter along Highway for all service connection, and replace along Highway for and Winwood Road. This project will replace approximately 900 LF of 1-inch PVC water main installed in 1980 on Winwood Road. The existing water mains and service connections to be replaced have 22 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	install approximately 1,030 LF of the first property in the project will replace 20 service connections, and replace 20 with polywrap, replace 20 service connections, and replace 20 with polycet will replace approximately 160 LF of 1-inch GS water main installed in 1939, approximately 100 LF of 1-inch GS water main installed in 1939 and 1947, and approximately 350 LF of 2-inch GS water main installed in 1939 and 1947, and approximately 350 LF of 3-inch GS water main installed in 1932 and 1952. The existing water mains and service connections to be replaced have 21 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	with polywrap, replace 22 service connections, and replace 22 meters along Teran Street, Aruizu Street, Carbajal Street, and Vargas Street. This project will replace approximately 700 LF of 1-inch GS water main installed in 1938, approximately 800 LF of 2-inch GS water main installed in 1938, and approximately 1,300 2-inch GS water main installed in 1938, and approximately 1,300 c. It of 6-inch ST water main installed in 1908 and 1976. The c. It of 6-inch ST water main saled service connections to be replaced have 20 recorded the as over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
\$89,304	\$1,718	\$39,097	\$45,147
2014	2014	2014	2013
Lodge Avenue	Highway 80	Ledgo Avenue	Teran Street
03-001	02-001	02-001	02-001
2,178.15	1,717.75	1,954.85	2,052.15
Copper	Copper	Copper	Соррес
1-inch	1-inch	l-inch	1-inch
4	-	20	77
345	345	345	345
\$	46	£	48

† COCHISE/BISBEE TABLE I (Page 3 of 6) cont. Information to be included with SIB-Eligible Project Notification

								***************************************		1) TOO I T F.C. inch. D. conformant nine title
49	345	12	1-inch	Copper	2,698.67	02-001	Park Avenue	2013	\$32,384	install approximatery for the connections, replace 12 meters, and polywarp, replace 12 service connections, replace 12 meters, and replace a fire hydrant along Park Avenue. This project will replace approximately 650 LF of 2-inch GS water main installed in 1922, and approximately 300 LF of 4-inch GS water main installed in 1922, and approximately 250 LF of 6-inch ST water mains and service connections to be replaced have 16 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
20	345	· =	J-inch	Copper	1,875.09	02-001	Brophy Avenue	2014	\$20,626	polywrap, replace 11 service connections, and replace 11 meters polywrap, replace 12 service connections, and replace 11 meters along Brophy Avenue. This project will replace approximately 400 LF of 1-inch GS water main installed in 1944 and approximately 200 LF of 2-inch CU water main installed in 1980 on Brophy Avenue. The existing water mains and service connections to be replaced have 15 recorded lears over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
15	345		I-inch	Copper	2,985.16	02-001	Cole Avenue	2014	\$20,896	with polywrap, replace 7 service connections, replace 7 meters, and replace 2 fire hydrants along Cole Avenue. This project will replace approximately 800 LF of 6-inch ST water main installed in 1908 and approximately 150 LF of 8-inch ST water main installed installed in 1908 on Cole Avenue. The existing water mains and installed in 1908 on Cole Avenue. The existing water mains and service connections to be replaced have 14 recorded leaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
52	345		i-hch	Copper	2,507.04	03-001	Church Street	2012	\$17,549	install approximately 400 LF of context of replace 7 meters, and polywarp, replace 7 service councetions, replace 7 meters, and replace 1 fire hydrant along Church Street from Clauson Avenue 15 owels Avenue. This project will replace approximately 300 LF of 4-inch ST water main installed in 1930, 1975, and 1978 and approximately 100 LF of 6-inch ST water main installed in 1908 on Church Street. The existing water mains and service connections to be replaced have 12 recorded loaks over the last 10 years. This replacement project is not being constructed to serve new customers. Project further described and documented in Edubit FKS-13.
Subtotal Cost (estimate)	ost (estim	ate)							\$351,359	

COCHISE/BISBEE TABLE I (Page 4 of 6) Information to be included with SIB-Eligible Project Notification

Provide narrance why Replacement Figure 3 received.  - replacement of existing plant that has exceeded its designated useful life and has worn out or is in deteriorating condition due to no fault of the utility.  - replacement of existing plant to address excessive water loss (10% or more).	persuasive showing by utility  2. Provide marative explaining why this segment of plant is a priority.	3. Provide narrative explaining how replacing this plant will benefit existing customers.  4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.	Replace 22 meters along Bowers Street from Marie Street to	McDorald Street. The existing meters have reached the end of their useful life. This replacement project is not being constructed to serve new eastonners. Project further described and documented in Exhibit FKS-13.	Replace 11 meters along Occurro Succe. In consults reached the end of their useful life. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	Replace 41 meters along Ledge Avenue and Quanty roted. 2014 the existing meters are no longer NSF approach due to the new lead free brass requirements. Once a meter is removed from new lead free brass requirements. Once a meter is removed from free for compliance. This replacement project is not being constructed to serve new eustomers. Project further described and documented in Exhibit FKS-13.	Replace I meter atong ruguway or any winners, such the existing meters are no longer NSF approved due to the new tend free brass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	Replace 20 meters atong 1-cogo norms, rounny roses are in 2014 the existing meters are no longer NSF approved due to the in 2014 the existing meters are no longer NSF approved from service, a new NSF approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
Replacement Plant	Cost (estimated)			\$1,760	088\$	\$3,280		81,600
Rephacem	Expected In-Service Date			2012	2012	2014	2014	2014
Site (location description)				Bowers Street	Ocotillo Avenue	Ledge Avenue	Highway 80	Ledge Avenue
PWSID No.		·		02-001	02-001	02-001	02-001	02-001
iption	Cost/Unit			80.00	80.00	86.00	80.00	80.00
Replacement Plant Description (SIB-eligible plant)	Quantity	•		77	=	41	_	20
Replace (	Size			5/8-inch	5/8-inch	5/8-inch	5/8-inch	5/8-inch
NARUC Acet No. (SIB- eligible plant)	346 Meters			346	346	346	346	346
	Project No.			43	3	45	46	41

COCHISE/BISBEE

TABLE I (Page 4 of 6) cont. Information to be included with SIB-Eligible Project Notification

									Street Carbaigh
88	346	5/8-inch	77	80.00	03-001	Teran Street	2013	\$1,760	Replace 21 meters along team succe, return succe, successing the state of the reached the existing meters have reached the end of their useful life. The existing meters have reached the constructed to serve new customers. Project further described and documented in Exhibit FKS-13.  Replace 12 meters along Park Avenue. The existing meters have
49	346	5/8-inch	12	80.00	02-001	Park Averace	2013	\$960	reached the end of their useful life. Intreplacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.  Replace 11 meters along Brophy Avenue. In 2014 the existing
80	346	. 5/8-inch	=	80.00	03-001	Brophy Avenue	2014	\$880	meters are no longer NSF approved due to the new read inco chass requirements. Once a meter is removed from service, a new NSF approved meter must be installed in its place for compliance. This approved meter must be installed in its place for compliance. This replacement project is not being constructed to serve new replacement project further described and documented in Exhibit EKS-13.  Replace 7 meters along Cole Avenue. In 2014 the existing meters Replace 7 meters along Cole Avenue. In 2014 the existing meters
31	346	5/8-inch	7	80.00	02-001	Cole Avenue	2014	\$560	are no longer NSF approved use the service, a new NSF requirements. Once a meter is removed from service, a new NSF requirements. Once a meter is removed from service. This approved meter must be installed in its place for compliance. This approved meter must be installed in its place for compliance. This customers. Project further described and documented in Exhibit customers. Project further described and documented in Exhibit Cast. 13.  Residence 7 meters along Church Street from Clawson Avenue to
52	346	5/8-inch	-	80.00	02-001	Church Street	2012	\$560	Sowels Avenue. The existing meters have reached the end of user useful life. This replacement project is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
					_				
					1.	-			
					-				
Subtotal	Subtotal Cost (estimate)	nate)						\$12,320	

# COCHISE/BISBEE TABLE I (Page 5 of 6)

***	Project N
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	SIB-Eligibl
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1. Provide narrative why Replacement Plant is necessary  - replacement of existing plant that has exceeded its designated useful life and has  worn out or is in deteriorating condition due to no fault of the utility  - replacement of existing plant to address excessive water loss (10% or more)  - replacement of existing plant for other reasons supported by persuasive showing by utility	2. Provide narrative explaining why this segment of plant is a priority.	3. Provide narrative explaining how replacing this plant will benefit existing customers.	4. Provide affirmation that Replacement Plant does not include the costs for extending or expanding facilities to serve new customers.	Street. This project will teplace a fire hydraful instalred in 1730 and Street. The existing bythant is old and failing requiring replacement. Street. The existing bythant is old such failing replacement is not being Replacement parts are unavailable for this hydrant. This replacement is not being constructed to serve new customers. Project further described and documented in constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	. # > 1				Designation of the Back Avenue. This project will replace a fire hydrant	Representation to the program and the existing hydrant is old and failing installed in 1920 along Park Avenue. The existing hydrant is old and failing replacement. Replacement parts are unavailable for this hydrant. This replacement is not being constructed to serve new customers. Project further replacement is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.	This project will replace fire	Replace 2 fire hydranis atong Core Avenue. The existing hydranis are old and hydranis installed in 1908 along Cole Avenue. The existing hydranis generating replacement. Replacement parts are mavailable for these hydranis. This replacement is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
nt Plant	Cost (estimated)		-	\$2,876	\$25.18	Ö <b>\$</b>	05	.03	93	\$2,615	\$0	\$5,269
Replacement Plant	Expected in- Service Date			2012	2012					2013		2014
Site (location description)				Bowers Street	Ocorillo Avenue					Park Avenue		Cole Avenue
PWSID No.				02-001	02-001	00-001	02-001	03-001	03-001	02-001	03-001	05-001
Description plant)	Cost/Unit			2,876.32	2,524.87					2,615.10		2,634.45
Replacement Plant Description (SIB-eligible plant)	Quantity	•		-	-					-		2
NARUC Act No. (SIB- eligible plant)	348	Hydrants		348	348	ĄZ	NA NA	٧×	NA	348	¥	348
	Project No.			£ .	4	76	44	47	48	49	05	25

COCHISE/BISBEE TABLE I (Page 5 of 6) cont. Information to be included with SIB-Eligible Project Notification

31. 34. 1 1, 134.186 (0.2-00) Clarch Stree 20.12 (1.2-14) Stree 10.00 Clarch Stree 10.00			•				Avenue. This project will represent a transfer to a transfer of the sold and
668915	348	 2,743.86	02-001	Church Street	2012		Succet from Clawson Avenue to Soweis Avenue. In consume of this hydrant. failing requiring replacement. Replacement parts are unavailable for this hydrant. This replacement is not being constructed to serve new customers. Project further described and documented in Exhibit FKS-13.
660*915							
660918							
67918							
67915	-						
60918							
60915							
670/915			1				
660/915			-				
660/915			-				
660/918			1				
67915			1	-			
67915			4	-	1		
66915			1	1	1		
610/915			-		1	1	
670'918					1		
	1		_			-	
	1		-				
	1		-				
	_		1				
		+	+	1			
			1		1	\$16,919	

# COCHISE/BISBEE TABLE I (Page 6 of 6, Summary) Information to be included with SIB-Eligible Project Notification

Cost (estimaled)	\$232,374	\$94,656	\$318,891		\$192,464	JAL \$312,721	020*86\$	\$76,802	\$112,905	TO \$54,877	******				\$1,578,439	
TO THE BOM MARIE STREET TO		UR.	AND QUALITY ROAD.	VINWOOD ROAD.	INSTALL 1,650 LF OF 6-INCH DIP WPOLYWRAP AND REPLACE 20 SERVICE CONNECTIONS ALONG LEDGE AVENUE, QUALITY ROAD, AND ALLEYS.	INSTALL 2,900 LF OF 6-INCH DIP WPOLYWRAP AND REPLACE 22 SERVICE CONNECTIONS ALONG TERAN STREET, ARUIZU STREET, CARBAIAL STREET, AND VARGAS STREET.				AND REPLACE 7 SERVICE CONNECTIONS ALONG CHURCH STREET FROM CLAWSON AVENUE TO			•			
O AT OMO BOWEDS 9TPER	S ALONG BOWENS STREET	AND REPLACE 11 SERVICE CONNECTIONS ALONG OCOTILLO AVENUR.	INSTALL 2,450 LF OF 6-INCH DIP WPOLYWRAP AND REPLACE 41 SERVICE CONNECTIONS ALONG LEDGE AVENUE AND QUALITY ROAD	AND REPLACE I SERVICE CONNECTION ALONG HIGHWAY 80 AND WINWOOD ROAD.	IS ALONG LEDGE AVENUI	is along teran street	ALONG PARK AVENUE.	AND REPLACE 11 SERVICE CONNECTIONS ALONG BROPHY AVENUE.	S ALONG COLE AVENUE.	ALONG CHURCH STREET		-		:		
OLD HIS OF THE PARTY OF THE PAR	22 SERVICE CONNECTION	I SERVICE CONNECTIONS	41 SERVICE CONNECTION	SERVICE CONNECTION A	20 SERVICE CONNECTION	22 SERVICE CONNECTION	AND REPLACE 12 SERVICE CONNECTIONS ALONG PARK AVENUE.	I SERVICE CONNECTIONS	INSTALL 1,000 LF OF 6-INCH DIP w/POLYWRAP AND REPLACE 7 SERVICE CONNECTIONS ALONG COLE AVENUE.	SERVICE CONNECTIONS		-				
	YWRAP AND REPLACE	YWRAP AND REPLACE I	LYWRAP AND REPLACE	YWRAP AND REPLACE I	LYWRAP AND REPLACE	LYWRAP AND REPLACE	YWRAP AND REPLACE IS		LYWRAP AND REPLACE	YWRAP AND REPLACE 7						
Project Description	O LF OF 6-INCH DIP WPOI TREET.	INSTALL 700 LF OF 6-INCH DIP W/POLYWRAP	O LF OF 6-INCH DIP w/PO	NSTALL 900 LF OF 6-INCH DIP W/POLYWRAP	0 LF OF 6-INCH DIP WPO	O LF OF 6-INCH DIP w/PO O VARGAS STREET.	INSTALL 700 LF OF 6-INCH DIP W/POLYWRAP	INSTALL 600 LF OF 6-INCH DIP W/POLYWRAP	00 LF OF 6-INCH DIP w/PO	INSTALL 400 LF OF 6-INCH DIP WPOLYWRAP SOWELS AVENUE.						
Project Descrip	INSTALL 1,900 LF OF McDONALD STREET.	INSTALL 700	INSTALL 2.45	INSTALL 900	INSTALL 1,63	INSTALL 2,90 STREET, ANI	INSTALL 700	INSTALL 600	INSTALL 1,00	SOWELS AV					<b>©</b>	
PWSID No.	02-001	03-001	02-001	02-001	03-001	03-001	03-001	02-001	02-001	02-001					Total Cost (estimate)	
Project No.	64	2	45	46	47	84	49	- 20	51	52			,		Total Co.	

# **EXHIBIT B**

DECISION NO.

SIB Schedule B

ARIZONA WATER COMPANY
Doctet No. W-01445A-11-0310
Calculation of Overall SIB True-Up and individual True-Up Surcharge/Credit
As of December 31, 2012

		[8]	
CULATION OF OVERALL, SIB REVENUE, TRUE-UP FROM PRIOR, 12-MONTH SIBA SURCHARGE PERIOD		NOTTERBRIDE	
Overell SIB Revenue Requirement from Prior 12-Month SIB Suncharge Period	•	100 HOURS	
Overeil SIB Efficiency Credit from Prior 12-Month SIB Surcharge Period	• •	221,726 200,122	
Total SiB Revenue Requirement Net of Efficiency Credit - Prior 12-Month SiB Surcherne Period	•	(10,/00)	1
Total SIB Surcharge Ravenues from Prior 12-Month SIB Surcharge Period	•	310,930	
Total SIB Efficiency Credit Refunds from Prior 12-Month SIB Sunchange Period	• •	310,000	
Total SIB Surcharge Revenues Net of Efficiency Credit from Prior 12-Month SIB Surcharge Period	•	\$ 294.500	
Net SIB Surcharge Under/(Over)-Collections from Prior 12-Month SIB Surcharge Period (In. 6 - In. 12)		24,436	

S:WVandevel2011 CASES111-0310 AWC Eastern GroupISIB Schedules Example AWC 05 28 131518A Sch. B Printed on: 4/12013 9-28 AM

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# CALCULATION OF INDIVIDUAL SIB FIXED TRUE-UP SURCHARGE/CREDIT

Totals	5/8 x 3/4-inch 1 i/2-inch 2-inch 3-inch 6-inch 6-inch 10-inch	Customer Meter Size
23,708	21.521 1.824 - 285 31 31 21 25 25	No. of Customers 12/31/2012
	2.5 8 6 8 8 8 5 5 5 5 5 6 6 6 6 6 6 6 6 6 6	Meter Multiplier
30,758	21.521 4.559 2.278 492 492 523 1.225	5/8 x 3/4-inch Equivaled Meters (C X F)
	\$ 0.07 \$ 0.17 \$ 0.33 \$ 0.53 \$ 1.06 \$ 1.06 \$ 3.31 \$ 7.51	SIB True-Up Su Fixed Surcharge / (Cresit)
•	*********	اقًا

	0.07 0.17 0.33 0.53 1.06 1.66 1.50 7.61	SIB True-Up Su Fixed Surcharge / (Credit)
\$ 24,436	\$ 17,098 \$ 3,622 \$ 1,810 \$ 391 \$ 415 \$ 973 \$ 127	rcharge/(Credit) Annual Revenue by Meter Size

Net SiB Surcharge Under/(Over)-Collections from Prior 12-Month SiB Surcharge Period (p. 1, in. 14)

24,436

0.07

S.WVandevel2011 CASES11-0310 AVAC Eastern GroupfSiB Schedules Example AVAC 03 28 131818A Sch. 8 Printed on: 4/1/2013 9:28 AM

# **EXHIBIT C**

SIB PLANT TABLE II (Page 1 of 6)

Information to be included with SIB-Eligible Completed Project Filings

(SIB-	(SIB-clig	Replacement Plant Description (SIB-cligible plant)		PWSID No.	(location description)	Replacement Flant		•	(Plant I	(Plant Being Retired)	
-					-	In Carrie	Actual	Actual	Original In-	Original Cost	Accumulated
309 Pipe Supply Length Mains	Diameter	Material	Cost/Unit			Date (provide ADEQ AOC	Cost	Retirement Date	Service Date		Depreciation Reserve (as of the actual retirement date)
						related approvals by					
						state and/or federal					
						applicable;					
						installed plant)					
	-										
	-						·				
	-	-									•
								•			
1											
					-			-			
·											
-											
Subtotal Actual Cost											

SIB PLANT TABLE II (Page 2 of 6)

Information to be included with SIB-Eligible Completed Project Filings

		 · ·	<del></del> 7	—Į	$\mathcal{O}($	KE	ΤN	O. V	V-01	445	A-1	2-0	348	
	Accumulated Depreciation Reserve (as of the actual retirement date)													
Original Plant (Plant Being Retired)	Original Cost													
Oriț (Plent F	Original In- Service Date													
	Actual Retirement Date													
it Plant	Actual Cost													
Replacement Plant	In-Service Date (provide ADEQ AOC and other related approvals by state and/or federal agencies when applicable; pictures of installed plant)													
Site (location description)														
PWSID No.														
u.	Cost/Unit													
iant Descripti ible plant)	Material							14						
Replacement Plant Description (SIB-eligible plant)	Diameter													
<b>K</b>	Pipe Length													st
NARUC Acct No. (SIB- eligible plant)	331 T&D Mains													Subtotal Actual Cost
	Project No.							·						Subtotal

SIB PLANT TABLE II (Page 3 of 6)

Information to be included with SIB-Eligible Completed Project Filings

Т	<b>.</b>		·		T	T	1	T .	7	DO	Ck	F	<u>r 1</u>	IO.	W-	014	145	A-1	12-(	34	}_	T	7
	Accumulated Depreciation Reserve (as of the actual	repremein unic)																					
(Plant Being Retired)	Original Cost																						
(Plant B	Original In- Service Date																						
	Actual Retirement																						
	Actual																			•			
Replacement Plant	In-Service Date (provide	ADEC ACC and other related	approvals by state and/or federal	agencies when applicable;	pictures of installed plant)																		
Site (location description)																			-				
PWSID No.																							
	Cost/Unit																						
t Description e plant)	Material																						-
Replacement Plant Description (SIB-eligible plant)	Diameter											-											
Rep	Quantity																						
NARUC Acct No. (SIB- eligible	plant)	Services																					
	Project	Ž						 -															

SIB PLANT TABLE 11 (Page 4 of 6)

Information to be included with SIB-Eligible Completed Project Filings

Act No. (Speciment vian Description) Act No. (Sp	NARICC Replacement from Journal of Grant of Gran			`\	1	Description	DISMA	Site	Replacement Plant	Plant		(P)	Original Claric (Plant Being Retired)	
digible  334 Size Quantity Coet/Unit Defended Actual Defended Service Actual Defended Property of Coet and other statement species of page 19	digible  334 Size Quantity ConVlhit  Meters  M		NARUC Act No.	Repl	acement Plan (SIB-cligible	( ) Description (	Š	(location description)						
Meters Sire Quantity Cost/Unit (provide Antique) Antique Cost Antique	Neters Size Quantity CostUnid (provide Antiquide Antiqui		cligible plant)		: .				In-Service		Actual	Original In- Service Date	Original Cost	Accumulated Depreciation Reserve
related supervals by state and/or state and/or superiches spicable: pictures of installed plan)	special by the state and or state and or special by the state and or special by the special by t	Project No.	334 Meters	Size	Quantity	Cost/Unit			Date (provide ADEQ AOC and other		Date			date)
Rederal agrencies when applicable; plentes of installed plant)	Referring agreetes when apprinciple of parties of parties of parties of installed plant)		•					<u></u>	related approvals by					
applicable; installed plant)	uvalida plan)  uvalida plan)								federal agencies when					• • •
		•		•					applicable; pictures of installed plant)			<u>.</u>		
				1	1		_							
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	Subfotal Actual Cost		-	-					-				· .	
	Subtotal Actual Cost			-						+				
	Subtotal Actual Cost			-			_			-				
	Subtotal Actual Cost		-		1.				-	+				

SIB PLANT TABLE II (Page 5 of 6)

Information to be included with SIB-Eligible Completed Project Filings

	Accumulated Depreciation Reserve (as of the actual retirement date)		The same of the sa			OC	KE	NO	D. W	7-01	44:	54
Original Plant (Plant Being Retired)	Original Cost											
E)	Original In-Service Date			2	2"							
	Actual Retirement Date											
lent	Cost											
Replacement Plant	In-Service Date (provide ADEQ AOC and other related approvals by state androf federal agencies when applicable; pictures of installed plant)											
Site (location description)												
PWSID No.	٠.											
ent Plant ption ble plant)	CostUnit											
Replacement Plant Description (SIB-eligible plant)	Quantity											
NARUC Acct No. (SIB- eligible plant)	335 Hydrants						-					
	Project No.											

SIB PLANT TABLE II (Page 6 of 6, Sununary)

Information to be included with SIB-Eligible Completed Project Filings

					vi in the second of the second
Project	PWSID	Deciret Decentation	Cost (estimated)	Actual	Detailed explanation of why actual costs have exceeded estimated costs in more than 10% for the project.
SO.	NO.	right transferous			
	· 				
	-				
		•			
Total Cost	150				
1					

# **EXHIBIT D**

DECISION NO.\_\_\_\_\_

SIB Efficiency Credit %

SIB Schedule A

ARIZONA WATER COMPANY
Doctet No. W-01445A-11-0310
Calculation of Overall SIB Ravenue Requirement and Individual Surcherge
As of December 31, 2012

SIB Revenue Cap %

(16,786) 335,722 335,722 Ð SUPERSTITION 8.72% 2.77% 5.00% 27,700 171,985 1.6590 285,322 6,000 55,400 2,000,000 1,972,300 50,400 17,848,923 ₹ Overall SIB Revenue Requirement - Lessor of Net SIB Revenue Cap or SIB Captial Costs Less: Depreciation Expense Associated with Applicable Retirements - Per SIB Table II Summary CALCULATION OF OVERALL SIB REVENUE REQUIREMENT & EFFICIENCY CREDIT Gross Revenue Conversion Factor/Tax Multiplier - Per Decision No. 73736 SIB Capital Costs - Pre-Tax Return & Depreciation (in. 20 + in. 28) Revenue Requirement - Return on SIB-Eligible Rate Base (in. 16 x in. 18) Net Depreciation Expense - SIBA Eligible Plant (In. 24 - In. 26) Total Authorized Revenue Requirement - Decision No. 73736 Accumulated Depreciation - 1/2-Year Convention (in. 24 x .5) SIB-Eligible Plant in Service - Per SIB Table II Summary Applicable Depreciation Rate - Per Decision No. 73736 Overall SIB Efficiency Credit (In. 35 x fn. 37) Required SIB Operating Income (in. 12 x in. 14) Required Rate of Return - Decision No. 73736 Under or Over Recovery from Previous Period Net SIB Revenue Cap (In. 2 x In. 4) SIB Depreciation Expense (fr. 8 x fr. 22) SIB Rate Base (h. 8 - h. 10)

		rement and Individual Surcharg	
ARIZONA WATER COMPANY	Docket No. W-01445A-11-0310	Calculation of Overall SIB Revenue Requirement and Individual Surcharg	As of December 31, 2012

[e]		SIB Emcency Creor Individual Annual Fixed Returd by Credit Meler Size	(0.05) (11,745.00) (0.23) (2.488.16) (0.26) (1,243.21) (0.73) (266.51) (1.14) (265.51) (2.27) (868.54) (3.84) (87.32) (5.23)	335,722 \$ 0.91 (16,788)
			go, eo, ao eo eo eo eo eo eo eo	<b>"</b>
<u>e</u>		Annual Annual Revenue by	\$ 234,900 49,763 \$ 24,864 \$ 5,370 \$ 13,371 1,746 \$ 335,722	
<u> </u>		SIB Surcharge Individual Fixed Rev Surcharge Met	\$ 0.91 \$ 2.27 \$ 4.55 \$ 7.28 \$ 22.74 \$ 72.77 \$ 104.60	(2)
<b>[0]</b>	CIENCY CREDIT	5/8 x 3/4-inch Equivalent Meters (C.X.F.)	21,521 4,559 2,278 492 523 1,225 160	SIB Revenue Requirement (p. 1, h. 32) Individual SIB Fixed Surcharge Per 5/8 x 3/4-trch Equivalent Meter (in. 24+col. C, in. 19+12) Sto Eminery, Credit in. 1 in. 38)
<u>181</u>	IGE AND EFFIC	Meter	2.5.5 8 8 16 25 50 50 115	3/4-inch Equiva
3	SIB FIXED SURCHAR	No. of Customers 12/31/2012	21,521 1,824 1,824 285 31 21 25 25 25	inement (p. 1, h. 32) d Surcharge Per 5/8 x et.o. 1, h. 38)
	CALCALATION OF INDIVIDUAL SIB FIXED SURCHARGE AND EFFICIENCY CREDIT	Customer Meter Stre	5/8 x 3/4-inch 1-inch 1 1/2-inch 2-inch 3-inch 4-inch 6-inch 10-inch 10-inch	Overall SIB Revenue Requirement (p. 1, h. 32) Individual SIB Fixed Surcharge Per 5/8 i

# **EXHIBIT E**

DECISION NO.\_\_\_\_\_

ARIZONA WATER COMPANY Docket No. W-01445A-11-0310 Typical Bill Analysia - Residential 5/8 x 3/4-Inch Meter As of December 31, 2012

		200 SC	SIB Schedule C						
		₹	<b>6</b>	<u>5</u>	<u>ia</u>	<u> </u>	E	<u>ত</u>	
					SUPERSTITION				
			9	ais	SIB Treets	Total	ž	Percent	
e configuration of the configu		Present	Pixed	Efficiency	Surcharge /	Pro Forms	SiB	SIB	
Consumed			Surcharge	Credit	Credit	BIR	Increase	foctease	
	•	22.26	180	(0.05)	\$ 0.07	\$ .23.19	\$ 0.93	4.2%	,
****	•	00.00	180	(900)	0.07	24.82	0.93	3.9%	
1,000		75.09	9.60	(0.05)	70'0	26.46	0.93	3.6%	
2,000		77 48	18.0	(0.05)	0.07	28.09	0.83	3.4%	
3,000		01.12	600	(0.05)	. 0.07	31.42	0.93	3.1%	
000,4		20.43	5	(0.05)	20.0	34.75	0.93	2.8%	
000.6		33.02	100	(0.05)	20.0	38.07	0.93	2.5%	
000'9		51.14	66	(0.05)	20.0	41.40	0.83	2.3%	
DOO'.		43.80	180	(0.05)	70.0	44.73	0.93	2.1%	
000.8		43.60	550	(0.02)	20.0	48.05	0.93	2.0%	
200'6		50.45	160	(0.02)	0.07	51.38	0.83	1.8%	
00001	•	26.22	160	(0.05)	70.0	56.18	0.93	1.7%	
000,11		50.05	0.91	(0.05)	0.07	86.98	0.93	1.5%	
12,000		20.00	160	(0.09)	0.07	65.77	0.93	1.4%	
13,000		50.64	160	(0.05)	70.0	70.57	0.93	1.3%	
non'thi		74.44	100	(0.02)		75.37	0.93	12%	
15,000			900	(0.05)		99.35	0.93	%6.0	
20,000		74.00	9 6	(50.0)		123.34	0.93	0.8%	
25,000		1777	6.5						
							<b>1</b>		
				•					
Residential Bill at Average Consumption of 6,300 Gallons		38.14	\$ 0.91	\$ (0.05) \$	\$ 0.07	\$ 39.07	\$ 0.83	2.4%	
Cantida Chares	ď	22.28	100	\$ (0.05) \$	\$ 0.07	\$ 23.19	\$ 0.93	4.2%	
	•		•	•					
Commodity Rate Per 1,000 Gallons	4	1 6340	e/c	Na		£/9	r/a	n/a	
3 001 - 10 000 Gallons	<b>.</b>	3.3270	1,48	E/L	a/u	e/u	υVe	n/8	
Over 10,000 Gations	•	4.7970	n/a	n/a	r/3	n/a	n/a	n/a	

# **EXHIBIT F**

DECISION NO.\_\_\_\_

ARIZONA WATER COMPANY Docket No. W-D145A-11-0310 Fair Value Rate Base, Revenue & Rate of Return As of December 31, 2012

						SIB Schedule D	۵.					
		<u>s</u>	(8)		<u>5</u>	0		<u> </u>	匠		<u>ত</u>	
	•					SUPERSTITION						
	1.	1	Met eto		Net OIR	Net SIB		Net SIB	Net Sign	. B.S	Pro Forma	
		Decision 73736	Step-1		Step-2	Step-3 Increese	o 릴	Step-4 Increase	Step-5 Increase	9 <b>3</b>		
Total Operating Revenue	•	923	\$ 318,936		,	•	•	.4	••	•	18,167,859	
Operating Expenses Operations & Maintenance	. *	8,057,876		•••	•	•••	•		•		8,057,876 2,722,094	
Depreciation & Amortization Taxes Other than Income		2,671,694	50,400	~ ·	. , ,	, ,		• •			1,049,113	
Income Taxes Total Operating Expenses	•••	13,473,706	106,663			*	<b>67</b>		uş.		13,630,769	
Operating Income (in. I - in. 8)	•	4,376,217	\$ 161,874	**		\$	5		<b>.</b>	•	4,537,091	
Interest Expense Weighted Avg. Cost of Debt Interest Expense (In 313 v in 19)	•	3.34%	3.34%	* 4	3.34%	3.34%	<b>.</b>	3.34%	••	3,34%	3.34%	
Net knome (h. 10 - fn. 14)	40	2,698,385	\$ 95,959	<b>55</b>	· ,	-	•		•		2,794,344	
	•	50,174,504	\$ 1.972,300		,		•	•	•	1.	52,14	
Return on Rate Base - O.C.L.C. (in. 10+in. 19)	1	8.72%	8.21%	*	0.00%	0000	%0	0.00%		0.00%	8.70%	
Authorized Return on Rafe Base		B.72%	8.72%	*	8.72%	8.72%	· %	8.72%		8.72%	6.72%	
Capital Structure Deth % Equity %		49.03%	49.03%	% <b>%</b>	49.03%	49.03% 50.97%	* *	49.03%		49.03% 50.97%	49.03% 50.97%	
Total Equity (in. 19 x in. 27)	•	25,573,945	1,005,281	*	•	•	<b>69</b>		•	•	26,579,226	
Authorized Return on Equity		10.55%	10.55%	*	10.55%	10.55%	2%	10.55%		10.55%	10.55%	
Return on Equity (Ln. 16+In. 29)		10.55%	9.55%	×.	0.00%	0.00%	%	0.00%		9,000	10.51%	

# **EXHIBIT 2**

DECISION NO.\_\_\_\_

### TARIFF SCHEDULE

ARIZONA WATER COMPANY

Filed by: William M. Garfield

Title: President

**Date of Original Filing** 

System(s): Sedona PWS No. 03-003&

Valley Vista PWS No. 13-114

(VERDE VALLEY DIVISION / SEDONA)

A.C.C. No.

Cancelling A.C.C. No. Tariff or Schedule No.

Filed:

Effective:

### **OFF-SITE FACILITIES FEE (WATER)**

### I. Purpose and Applicability

The purpose of the off-site facilities fees payable to Arizona Water Company ("the Company") pursuant to this tariff is to equitably apportion the costs of constructing additional off-site facilities necessary to provide water production, treatment, delivery, storage and pressure among all new service connections. These charges are applicable to all new service connections established after the effective date of this tariff undertaken via Main Extension Agreements or requests for service not requiring a Main Extension Agreement. The charges are one-time charges and are payable as a condition to Company's establishment of service, as more particularly provided below.

### II. <u>Definitions</u>

Unless the context otherwise requires, the definitions set forth in R-14-2-401 of the Arizona Corporation Commission's ("Commission") rules and regulations governing water utilities shall apply in interpreting this tariff schedule.

"Applicant" means any party entering into an agreement with Company for the installation of water facilities to serve new service connections, including Developers and/or Builders of new residential subdivisions and/or commercial and industrial properties.

"Company" means Arizona Water Company.

"System" means Public Water System ("PWS"), as defined by Arizona Department of Environmental Quality.

"Main Extension Agreement" means any agreement whereby an Applicant agrees to advance the costs of the installation of water facilities necessary for the Company to serve new service connections within a development, or installs such water facilities necessary to serve new service connections and transfer ownership of such water facilities to the Company, which agreement shall require the approval of the

Page 1 of 4

DECISION NO.\_\_\_\_

(continued)

Commission pursuant to A.A.C. R-14-2-406, and shall have the same meaning as "Water Facilities Agreement" or "Line Extension Agreement."

"Off-site Facilities" means wells, storage tanks, water treatment facilities, that are not otherwise supported by an Arsenic Cost Recovery Mechanism ("ACRM"), and related appurtenances and equipment necessary for proper operation of such water treatment facilities, including engineering and design costs. Off-site facilities may also include booster pumps, pressure tanks, transmission mains and related appurtenances and equipment necessary for proper operation of such facilities if these facilities are not for the exclusive use of the applicant and will benefit the entire water system (Either all of Valley Vista or all of Sedona).

"Service Connection" means and includes all service connections for single-family residential or commercial, industrial other uses, regardless of meter size.

### III. Off-Site Water Facilities Fee

For each new service connection, the Company shall collect an off-site facilities fee derived from the following table:

OFF-SITE	FACILITIES FEE TAE	BLE
Meter Size	Size Factor	Total Fee
5/8" x 3/4 "	1	\$1,100
3/4"	1.5	\$1,650
1"	2.5	\$2,750
1-1/2 "	5	\$5,500
2"	8	\$8,800
3"	16	\$17,600
4"	25	\$27,500
6" or larger	50	\$55,000

# IV. Terms and Conditions

- (A) <u>Assessment of One Time Off-Site Facilities Fee</u>: The off-site facilities fee may be assessed only once per parcel, service connection, or lot within a subdivision (similar to meter and service line installation charge). These charges are not applicable to additional service connections that are established as back-up connections, under the condition that these service connections are not to be used at the same time.
- (B) <u>Use of Off-Site Facilities Fee</u>: Off-site facilities fees may only be used to pay for capital items of off-site facilities or for repayment of loans obtained to fund the cost of installation of off-site facilities. Off-site facilities fees shall not be used to cover repairs,

(continued)

maintenance, or operational costs. The Company shall record amounts collected under tariff as Contributions in Aid of Construction ("CIAC"); however, such amounts shall not be deducted from rate base until such amounts have been expended for utility plant.

## (C) <u>Time of Payment</u>:

- (1) For those requiring a Main Extension Agreement: In the event that the Applicant is required to enter into a Main Extension Agreement, whereby the Applicant agrees to advance the costs of installing mains, valves, fittings, hydrants and other on-site improvements or construct such improvements in order to extend service in accordance with R-14-2-406(B), payment of the off-site facilities fees required hereunder shall be made by the Applicant no later than 15 calendar days after receipt of notification from the Company that the Utilities Division of the Arizona Corporation Commission has approved the Main Extension Agreement in accordance with R-14-2-406(M). Except for those off-site facilities excluded from the definition above, Off-site Facilities shall not be included in the Main Extension Agreement.
  - (2) For those connecting to an existing main: In the event that the Applicant is not required to enter into a Main Extension Agreement, the off-site facilities fee charges hereunder shall be due and payable at the time the meter and service line installation fee is due and payable.
  - (D) Off-Site Facilities Construction By Developer: Company and Applicant may agree to construction of off-site facilities necessary to serve a particular development by Applicant, which facilities are then conveyed to Company. In that event, Company shall credit the total cost of such off-site facilities as an offset to off-site facilities fees due under this Tariff. If the total cost of the off-site facilities constructed by Applicant and conveyed to Company is less than the applicable off-site facilities fees under this Tariff, Applicant shall pay the remaining amount of off-site facilities fees owed hereunder. If the total cost of the off-site facilities contributed by Applicant and conveyed to Company is more than the applicable off-site facilities fees under this Tariff, Applicant shall be refunded the difference upon acceptance of the off-site facilities by the Company.
  - (E) <u>Failure to Pay Charges</u>; <u>Delinquent Payments</u>: The Company will not be obligated to make an advance commitment to provide or actually provide water service to any Applicant in the event that the Applicant has not paid in full all charges hereunder. Under no circumstances will the Company set a meter or otherwise allow service to be established if the entire amount of any payment due hereunder has not been paid.
  - (F) <u>Large Subdivision and/or Development Projects</u>: In the event that the Applicant is engaged in the development of a residential subdivision and/or development containing more than 150 lots, the Company may, in its discretion, agree to payment of off-site facilities fees in installments. Such installments may be based on the residential subdivision and/or development's phasing, and should attempt to equitably apportion

(continued)

the payment of charges hereunder based on the Applicant's construction schedule and water service requirements. In the alternative, the Applicant shall post an irrevocable letter of credit in favor of the Company in a commercially reasonable form, which may be drawn by the Company consistent with the actual or planned construction and hook up schedule for the subdivision and/or development.

- (G) <u>Off-Site Facilities Fees Non-refundable</u>: The amounts collected by the Company as off-site facilities fees shall be non-refundable contributions in aid of construction.
- (H) <u>Use of Off-Site Facilities Fees Received</u>: All funds collected by the Company as off-site facilities fees shall be deposited into a separate interest bearing bank account and used solely for the purposes of paying for the costs of installation of off-site facilities, including repayment of loans obtained for the installation of off-site facilities that will benefit the entire water system (either all of Valley Vista or Sedona).
- (I) Off-Site Facilities Fee in Addition to On-site Facilities: The off-site facilities fee shall be in addition to any costs associated with the construction of on-site facilities under a Main Extension Agreement.
- (J) <u>Disposition of Excess Funds</u>: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to this tariff, or if the off-site facilities fee tariff has been terminated by order of the Arizona Corporation Commission, any funds remaining in the bank account shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.
- (K) <u>Fire Flow Requirements</u>: In the event the Applicant for service has fire flow requirements that require additional facilities not covered by this tariff, such additional facilities shall be constructed under a separate Main Extension Agreement as a non-refundable contribution and shall be in addition to the off-site facilities fees.
- (L) Status Reporting Requirements to the Commission: The Company shall submit a calendar year off-site facilities fee status report each January 31st to Docket Control for the prior twelve (12) month period, beginning January 31, 2014, until the off-site facilities fee tariff is no longer in effect. This status report shall contain a list of all customers that have paid the off-site facilities fee, the amount each has paid, the physical location/address of the property in respect of which such fee was paid, the amount of money spent from the account, the amount of interest earned on the funds within the tariff account, and a list of all facilities (by system location) that have been installed with the tariff funds during the twelve (12) month period.

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SIB Schedule A

ARIZONA WATER COMPANY Dockel No. W-01445A-11-0310 Calculation of Overall SIB Revenue Requi As of December 31, 2012

## **EXHIBIT C**

CALCULATION OF OVERALL SIB REVENUE REQUIREMENT & EFFICIENCY CREDIT

Total Authorized Revenue Requirement - Decision No. 73736

SIB Revenue Cap %

Net SIB Revenue Cap (in. 2 x in. 4)

SIB-Eligible Plant in Service - Per SIB Table II Summary

Accumulated Depreciation - 1/2-Year Convention (in. 28 x .5)

SIB Rate Base (In. 8 - In. 10)

Required Rate of Return - Decision No. 73736
Weighted Cost of Equity:
Revenue Conversion Factor:
Pre-Tax Weighted Cost of Equity (in. 16 x in. 17):
Weighted Cost of Debt:

5.38% 1.6590 8.92% 3.34%

Required Revenues (m. 12 x fn. 21)

Pre-Tax Cost of Capital (in. 18 + in. 19):

Applicable Depreciation Rate - Per Decision No. 73736

SIB Depreciation Expense (In. 8 x In. 26)

Less: Depreciation Expense Associated with Applicable Retirements - Per SIB Table II Summary

Net Depreciation Expense - SIBA Eligible Plant (in. 28 - in. 30)

Under or Over Recovery from Previous Period

SIB Capital Costs - Pre-Tax Return & Depreciation (In. 23 + In. 32)

Overall SIB Revenue Requirement - Lesser of Net SIB Revenue Cap or SIB Capital Costs

SIB Efficiency Credit %

Overall SIB Efficiency Credit (In. 39 x In. 41)

				892,446												292,300		292,300		
•	SUPERSTITION	\$ 17,848,923	5.00%		\$ 2,000,000	27,700	\$ 1,972,300	5		12.26%	\$ 241,900	2.77%	\$ 55,400	\$ 5,000	\$ 50,400	•	•	•	760 Y	W 00'6-
										-	•									

CALCLATION OF HANDRALA SIR DIREC BIRCH CORDIT.  Sign Sarters  No. of Equations Where Convenient Proof Control		<u> </u>	Ē	<u>.</u>		Ī	I	•	•	· · .
No of a 244-hct   Equivalent   Fined   Front	CALCULATION OF INDIVIDUAL	L SIB FIXED SURCHAR	IGE AND EFFIC	HENCY CREDIT				٠	,	
Continued State   Continued				5/8 x 3/4-Inch		SIB Sun	charge		SIBER	Jency Credit
1,524   1	Customer Meter Size	No. of Customers 12/31/2012	Meter Multiplier	Equivalent Meters (CXF)		Individual Fixed Surchange	Annual Reverue by Meter Size	· ·	Fixed Credit	Annual Refund by Meter Siz
1,024   2.5   4,559   1   1   1   1   1   1   1   1   1	Acres 200 in the	24 824	-	21.521		9.79	\$ 204,518	٠	(O.C	
Totals 295 6 2278 9 3 296 9 10 (220) (190) 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	2/0 x 3/4-mod	1.824	2.5	4,559		1.98	\$ 43,327		9	
255 8 2.278 9 1.567 9 1.689 1 (1.58)  21 25 50 1.225 9 1.567 9 1.699 1 (1.59)  22 50 1.225 9 1.161 9 1	1 1/2-inch	•	w.	• ;	,	98.6			•	
15   16   17   16   17   18   18   18   18   18   18   18	2-Inch	282	æ :	2,278		0.04	A R78			
Totals 25, 50 1,225 5, 50 6, 1,527 5, 50 6, 1,527 5, 50 6, 50 1,527 5, 50 6, 50 1,527 5, 50 6, 50 1,527 5, 50 1,52	3-inch		5 K	492		19.80	4,969		0	
Totals 23,708 30,758 1,521 1,511 1,5	4-inch	5 82	8	1,225	2.5	\$ 39.60	\$ 11,641		-	_
Totals	8-inch	8	28	160		\$ 63.35 • 91.07	1,521			
30,756 \$ 292,300 \$ 282,300 \$ 134-inch Equivalent Meter (in. 24 + col. C, in. 19 + 12) \$ 1,14,615) \$ 15,0 x 3/4-inch Equivalent Meter (in. 28 + col. C, in. 19 + 12) \$ 1,14,615	10-inch	•	CE.	•		•		_	. •	1
\$ 282,300 \$ 134 inch Equivalent Meter (in. 24 + col. C. in. 19 + 12) \$ (14,615) \$ 5 in. 19 + 12)	Totals	23,708		30,758						
\$ 282,300 \$ (14,615)									•	
\$ (14,615) \$ (14,615) \$ r 5/8 x 3/4-inch Equivalent Meter (in. 28 + col. C, in. 19 + 12)		for the 321							\$ 292,3	8
# (14,615) ## (In. 28 + col. C. In. 19 + 12)			2/4 both Equipol	ant Mater (in 24 and C	19+12)		•			
edit Per 5/8 x 3/4-inch Equivalent Moter (in. 28 + col. C, in. 19 + 12)								•		
	Overall SIB Efficiency Cru	edit (p. 1, ln. 36)	. •					٠	9.7.0	ĺ.
	Individual SIB Fix	xed Efficiency Credit Per	5/8 x 3/4-Inch E	quivalent Meter (in. 28 +	t col. C, In. 19 4	. 12)		•		
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ARIZONA WATER COMPANY Docket No. W-0145A-11-0310 Calculation of Overall SIB True-Up and Individual True-Up Surcharge/Credit As of December 31, 2012

SIB Schedule B

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<u>CALCULATION OF OVERALL SIB REVENUE TRUE-UP FROM PRIOR 12-MONTH SIBA SURCHARGE PERIOD</u> Total SIB Revenue Requirement Net of Efficiency Credit - Prior 12-Month SIB Surcharge Period Overall SIB Revenue Requirement from Prior 12-Month SIB Surcharge Period Overall SIB Efficiency Credit from Prior 12-Month SIB Surcharge Period

Total SIB Efficiency Credit Refunds from Prior 12-Month SIB Surchange Period

Total SIB Surchange Revenues Net of Efficiency Credit from Prior 12-Month SIB Surchange Period

Net SIB Surchange Under/(Over)-Collections from Prior 12-Month SIB Surchange Period (in. 6 - in. 12)

Total SIB Surcharge Revenues from Prior 12-Month SIB Surcharge Period

\$ 292,300 \$ (14,615) \$ 277,685 \$ 310,000 \$ (15,500) \$ 284,500

ARIZONA WATER COMPANY
Docket No. W-01445A-11-0310
Celculation of Overall SIB True-Up and Individual True-Up Surcharge/Credit
As of December 31, 2012

•			5/8 x 3/4-Inch		SIB Tru	SIB True-Up Surcharge/(Credit	ge/(Credit)
Customer Meter Size	No. of Customers 12/31/2012	Meter Multipler	Equivalent Meters (C.X.F.)		Fixed Surcharge (Credit)	d di	Arruel Reverue by Meter Size
5/8 x 3/4-inch	24.521	-	21.521		•	\$ (0.05)	(11,766)
1-inch	1,824	2.5	4,559		•	(0.11) \$	(2,483)
1 1/2-Inch	. •	ιρ	i		•	(0.23)	
2-inch	285	<b>6</b> 0	2,278		••	(0.36)	(1,245)
3-inch	31	92	492		•	(0.73) \$	(583)
4-inch	. 21	52	523		••	(1.14) \$	(386)
6-inch	25	20	1,225		•>	(2.28)	(670)
8-Inch	8	8	160		••	(3.84) \$	(8)
10-inch	•	115	•	,	<b>c</b> t	(5.24) \$	•
Totals	23,708		30,758			<b>.</b>	(16,815)

DECISION NO.

ARIZONA WATER COMPANY	Docket No. W-01445A-11-0310	Typical Bill Analysis - Residential 5/8 x 3/4-Ind	
ARIZO	Docket	Typical I	

	Ā							
	₹	6	<u>5</u>	<u>[</u>	<u>u</u>	E	<u>10</u>	
				SUPERSTITION				1
		888		SIB True-Up	Total	Net Sign	Percent SIB	
Gallons	Present	Fixed Surcharge	Credit	(Credit)	温	increase	Increase.	
			(0.04)	\$ (0.05) \$	22.97	0.71	3.2%	*
•	27	26 \$ 0.79	•	(0.09)	24.60	0.71	30.0%	
1,000	23	23.69 0.79	(0.04)	(50.0)	26.23	0.71	% a	
2,000	27			(0.05)	27.87	2.0	80.0 80.0	
3,000 4,000	S 80	49 0.79		(S) (S)	31.20	0.71	2.1%	
000'5				(0.0)	37.65	0.71	1.9%	
000'9	3.		0.00	(0.05)	41.18	0.71	1.7%	
2,000	₹ ₹			(0.05)	44.50	0.71	1.6%	
0000	7 4	97.0		(0.05)	47.83	2.2	1.076	
000'6	F			(0.05)	51.16	2.5	1.3%	•
10,000	í úi			(0.05)	50.60 80.75	0.71	1.2%	
000,11	ō			(6.65)	50.03	0.71	1.1%	
13,000	ø		(5.04)	(50.0)	70.35	0.71	1.0%	
14.000	80			(0.05)	75.14	0.71	96.0	
00051	~			(0.05)	99.13	0.71	6.7% 6.7%	
20000	<b>o</b>	98.42		(0.05)	123.11	0.71	0.6%	
25,000	12							
			•					
						į	į	
Residential Bitl at Average Consumption of 6,300 Gallons	<b>∞</b>	38.14 \$ 0.79	\$ (0.04) \$	\$ (0.05) \$	38.85	<b>.</b>	g fn:	
Basic Service Charge	**	22.26 \$ 0.79	\$ \$ (0.04) \$	\$ (0.05) \$	\$ 22.97	\$ 0.71	3.2%	
						+	ş	
Commodity Rate Per 1,000 Gallons n - 3 000 Gallons			B/a	E .	8/1		2	
3,001 - 10,000 Gallons	en 4	3.3270 n/m	2 2	8 2	9/4	1/a	n/a	
Over 10,000 Gallons	ř							

DECISION NO.

ARIZONA WATER COMPANY Docket No. W-01445A-11-0310 Fair Value Retie Base, Revenue & Rate of Retur As et December 31, 2012

		,	-								
		₹	(a)	ত্	_	101	Ш		E		[0]
					SUPE	SUPERSTITION					
	1	Per Decision	Net SIB Step-1	Net SIB Step-2	2 20	Net SIB Step-3	Net SIB Step 4		Net SIB Step-5	€ ,	Pro Forma With
		13736	Increase	Incresse	ᅋ	ngease	Increase	<b>a</b>	ncrease		98
Total Operating Revenue	•	17,848,923	\$ 277,685	•	•			•	•	•	18,126,608
Operating Expenses	•	0.67.878		•	•			•	•	•	8,057,876
Operations & Melinehance	•	2.671.694	50.400	•	•	•			•		2,722,094
Taxes Other than Income		1,049,113		•		•			• •		1,049,113
hycome Taxes Total Operating Expenses	-	13,473,706	114,501		-			•	-	-	13,588,207
Operating income (in. 1 - in. 8)	99	4,375,217	\$ 183,184		•	[		• <b>•</b>		-	4,538,401
interest Expense		3976	7876 6		3 34%	3.34%		3.34%	3.34%		3.34%
Weighted Avg. Cost of Debt Interest Expense (in. 13 x in. 19)		1,876,832	\$ 65,914	•	•	,		,	•	•	1,742,748
Net Income (In. 10 - In. 14)	•	2,698,385	\$ 97,270					,		•	2,796,655
Rate Base - O.C.L.D.	•	50,174,504	\$ 1,972,300 \$	•	•	•	_	•	•	•	52,146,804
Return on Rate Base - O.C.L.D. (fn. 10 + ln. 19)	ł	8.72%	8.27%		0.00%	0.00%		0.00%	0.00%		8.70%
Authorized Return on Rate Base		8.72%	8.72%		8.72%	8.72%		B.72%	8.72%		8.72%
Capital Structure Debt % Equity %		49.03% 50.97%	49.03% 50.97%	49.03% 50.87%	3%	49.03%	410	49.03% 50.97%	49.03% 50.97%		49.03% 50.97%
Total Equity (in. 19 x in. 27)		25,573,945	\$ 1,005,281	•	•	•	_	•	•	•	26,579,226
Authorized Return on Equity		10.65%	10.55%	10.55%	*	10.55%	-	10.55%	10.55%		10.55%
Return on Equily (Ln. 16 + In. 29)		10.55%	9.68%	0.00%	3%	0.00%		9600.0	9,00.0		10.52%

DECISION NO.\_\_\_\_\_

ARIZONA WATER COMPANY Dockel No. W-01445A-11-0310 Fair Velue Rate Base, Revenue & Rate of Return As of December 31, 2012

Total Operating Revenue  Operating Expenses  Operating Expenses  Operating Expenses  Operating Expenses  Operating Expenses  Operating Expenses  I (1949, 13)  Takes Other than income Takes Other than income Total Operating Expenses  Operating income (in. 1 - in. 8)  Interest Expense (in. 1 - in. 8)  Rate Base - O.C.L.D. (in. 14)  Rate Base - O.C.L.D. (in. 10 + in. 19)  Return on Rate Base  8, 13,473,706 \$  1,695,023  8, 13,473,706 \$  1,695,023  8, 13,473,706 \$  1,695,023  8, 13,473,706 \$  Rate Base - O.C.L.D. (in. 10 + in. 14)  Return on Rate Base - O.C.L.D. (in. 10 + in. 19)  Return on Rate Base  8, 12,4604 \$ 1,1			(D) SUPERSTITION	[E]	F)	0
Fer Ne Decision Si 73736 Inc Si 73736 S 17,848,923 \$ 17,848,923 \$ 17,848,923 \$ 17,848,923 \$ 17,848,923 \$ 17,848,923 \$ 13,471,694 \$ 1,995 s 13,475,217 \$ 13,475,21			UPERSTITION	Net SIB	Net SIB	
### Per Ne Decision Si		5			Mar Sin	Pro Forma
\$ 17,848,823 \$ 17,848,823 \$ 17,848,823 \$ 17,848,823 \$ 2,671,684   2,671,684   1,694,113	736 . Increase	Step-2	Net Sig Step-3 Incresse	Step-4	Step-5 Increase	With Silb
### ##################################	•	•	••	•	•	18,167,859
1,695,023 1- h. B) \$ 13,473,706 \$ 1- h. B) \$ 3,34% 5 4,375,217 \$ 3,34% (in. 13 x h. 19). \$ 1,676,832 \$ 1,14) \$ 50,174,604 \$ - O.C.L.D. (in. 10+in. 19) \$ 50,174,604 \$	057,878 \$ 50,400 671,694 50,400	<b>*</b>		1 1 1	•	8,057,876 2,722,094 1,049,113 1,801,686
1-fn. 6) \$ 4,375,217 \$ 1-fn. 6) \$ 3,34% \$ 1,076,217 \$ 1,14) \$ 1,074,604 \$ 5,0,174,604 \$ 1,14) \$ 5,0,174,604 \$ 1,14) \$ 5,0,174,604 \$ 1,14) \$ 1,14)	695,023 106,863 473,706 \$ 157,063	\$ 65				13,630,769
\$ 1,876,832 \$ (in. 13 x in. 19). \$ 1,876,832 \$ \$ 1,14). \$ \$ 2,696,385 \$ \$ 14). \$ \$ 60,174,604 \$ \$ . O.C.L.D. (in. 10+in. 19). \$ 67,276.	•	74 \$				4,537,091
\$ 2,696,385 \$ \$14) \$ 50,174,604 \$0.C.L.D. (in. 10+in. 19)  8.72% 8.72% 8.72%	3.34% 3.34% 978,832 \$ 65,914	49% 3.34%	3.34%	3,34%	3.34%	3.34%
\$ 50,174,604 \$ .0.C.L.D. (in. 10+in. 19) 8.72% 8.72% 8.72%	698,385 \$ 85,959	\$ 69				2,784,344
- O.C.L.D. (fn. 10+fn. 19)	174,604 \$ 1,972,300	<b>*</b> 00	•	•	``	62,146,604
		8.21% 0.00%	0.00%	0.00%	%00.0	8.70%
Administratives in the second	B.72% 8.72%	2% 8.72%	8.72%	8.72%	8.72%	8.72%
Capital Structure 49.03% Debt % 50.97% Equity %	49.03% 49.03% 50.97% 50.97%	3% 49.03% 7% 60.97%	49.03% 50.87%	49.03%	49.03%	49.03% 60.97%
1, 19 x h. 27) \$ 25,572,845 \$	,573,945 \$ 1,005,281			•	•	28,579,228
Authorized Relum on Equity 10.55%	10.55% 10.55%	5% 10.55%	10.55%	10.55%	10.55%	10.55%
Return on Equity (Ln. 16+ in. 29) 10.65%		8.55% 0.00%	0.00%	9,000	0.00%	10.81%

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